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United Nations Joint Staff Pension Fund

Financial report and audited financial statements

for the year ended 31 December 2015

and

Report of the Board of Auditors

United Nations • New York, 2016

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

Contents

Letters of transmittal

Letter dated 3 June 2016 from the Chief Executive Officer of the United Nations Joint Staff Pension Fund and the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund addressed to the Chair of the Board of Auditors

In accordance with article 14 of the regulations of the United Nations Joint Staff Pension Fund, we have the honour to transmit the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2015, which we hereby approve. The financial statements have been completed and certified by the Chief Financial Officer a.i. of the Fund as correct in all material respects.

(*Signed*) Sergio **Arvizú**
Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Carolyn **Boykin**
Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

Letter dated 19 September 2016 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2015, which were submitted by the Chief Executive Officer of the Fund. The statements have been examined by the Board of Auditors.

In addition, I have the honour to transmit the report of the Board of Auditors with respect to the above-mentioned accounts, including the audit opinion thereon.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Joint Staff Pension Fund (the Fund) for the year ended 31 December 2015, which comprise the statement of net assets available for benefits (statement I), the statement of changes in net assets available for benefits (statement II), the cash flow statement (statement III), the statements of comparison of budget and actual amounts and the notes to the financial statements.

Responsibility for the financial statements

The Chief Executive Officer of the Fund, the Representative of the Secretary-General for the investment of the assets of the Fund and the Chief Financial Officer are responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as the management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Joint Staff Pension Fund as at

31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further to our opinion, the transactions of the Fund that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the regulations, rules and pension adjustment system of the Fund and its legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the Fund.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

19 September 2016

Chapter II
Long-form report of the Board of Auditors

Summary

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board.

2. The Board of Auditors (the Board) audited the financial statements of the United Nations Joint Staff Pension Fund (the Fund) and reviewed its operations for the year ended 31 December 2015 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952 and in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Fund as at 31 December 2015 and were in accordance with the International Public Sector Accounting Standards (IPSAS). The audit was carried out through a review of the financial transactions and operations at the Fund's headquarters in New York, covering both the Investment Management Division and the secretariat of the Fund. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

Audit opinion

3. The Board issued an unqualified opinion on the financial statements of the Fund as reflected in chapter I.

Overall conclusion

4. The Fund has successfully prepared financial statements in accordance with IPSAS and International Accounting Standard 26 since 2012. While there were no material deficiencies in the financial statements prepared by the Fund, the Board identified certain scope for improvements in the disclosures in the notes to the financial statements that would enhance the completeness and transparency of the information provided for the stakeholders. Further, there was a large foreign exchange loss of $1.49 billion during the current year ($1.96 billion in 2014) and the Fund has not taken any proactive steps to mitigate such losses. The Fund needs to strengthen the decision-making mechanism in the Investment Management Division by filling the vacancies in decision-making positions and taking steps to improve performance and reduce losses. There is scope for improvement in the processing of benefits and client services, in particular in redressing the complaints of the beneficiaries. The Fund should take proactive steps in collaboration with member organizations to expedite the receipt of the documents required for calculating and awarding pension benefits.

Key findings

Investment Management Division

Vacancies in key positions

5. The Board noted that the key posts of Director of the Investment Management Division, Deputy Director for Investments, Deputy Director for Risk and Compliance and Chief Operating Officer were vacant in 2015.

Risk management

6. The Board noted that no formal mechanism existed for the submission of reports tracking portfolio and security risks to the Representative of the Secretary-General for the investment of the assets of the Fund through the Director of the Investment Management Division or the Deputy Director for Investments.

Return on investment

(a) The Fund's long-term performance objective is to achieve a 3.5 per cent annualized real rate of return, as adjusted by the United States consumer price index. The Fund had an inflation-adjusted negative real return of 1.7 per cent in 2015 compared with a positive real rate of return of 2.4 per cent in 2014. The Fund underperformed in both years;

(b) The investment income fell by $5.26 billion (76 per cent) in 2014 compared with 2013 and by a further $2.12 billion (127.63 per cent) in 2015 compared with 2014, thus adversely affecting the performance of the Fund over the short-term period and potentially having a negative impact on the long-term objective of being fully funded.

Management of external fund managers

7. In 2011, the Fund decided to treat the selection of external managers as an investment decision rather than a procurement exercise and to have separate guidelines for selecting and evaluating external managers of funds (discretionary investment managers). More than four years later, however, the guidelines have not been finalized.

Benefits payment management

Implementation of the Integrated Pension Administration System

8. The Board observed various issues in the implementation of the Integrated Pension Administration System (IPAS), such as the non-removal of inconsistencies in existing data, issues in the migration of data from the legacy system and the absence of key performance indicators.

Client services

9. There were several deficiencies in the client query/complaint redressal system of the Fund.

Delays in processing benefits

10. Only 14 per cent of death-in-service cases could be processed within the target benchmark of 15 days, and 85 per cent of cases were processed with delays ranging from 16 days to more than one year. Only around 8 per cent of retirement and withdrawal cases could be processed within the benchmark of 15 days, whereas 91 per cent of cases were processed with delays ranging from 16 days to more than one year.

Delays by member organizations in the submission of documents

11. In 423 cases, more than six months elapsed between the separation of the participant and the receipt of the separation notification from the reporting entity, and in 2,616 cases, the entitlements could not be processed because payment instructions had not been provided by the participants.

Main recommendations

12. The Board recommends that the United Nations Joint Staff Pension Fund:

(a) **While filling the vacancies at the senior levels at the earliest opportunity, draw up a succession plan that foresees and addresses the changes that will occur when senior positions become vacant;**

(b) **Formalize a system for the regular monitoring of investment risk management by the Representative of the Secretary-General for the investment of the assets of the Fund through the Director of the Investment Management Division and the Deputy Director for Risk and Compliance;**

(c) **Review and improve its investment and risk processes so as to achieve the targeted long-term 3.5 per cent real rate of return;**

(d) **Prepare a time-bound action plan for the finalization and publication of its selection and evaluation criteria for external fund managers (discretionary investment managers);**

(e) **Address all the issues of data migration and frame key performance indicators in accordance with functional requirements for assessing the accuracy and timeliness of IPAS outcomes;**

(f) **Devise a suitable client query/complaint redressal system by means of proper acknowledgement, segregation, monitoring and reporting of queries/complaints and proper communication with clients;**

(g) **Prescribe a time frame and reporting framework for each type of entitlement and benefit on the basis of their urgency and priority;**

(h) **Impress upon the participating organization that it must ensure that cases that are due for separation in the normal course of business are identified and submitted sufficiently in advance; and, in collaboration with the participating organization, devise a mechanism to resolve the issues relating to incomplete or missing documentation.**

Key facts

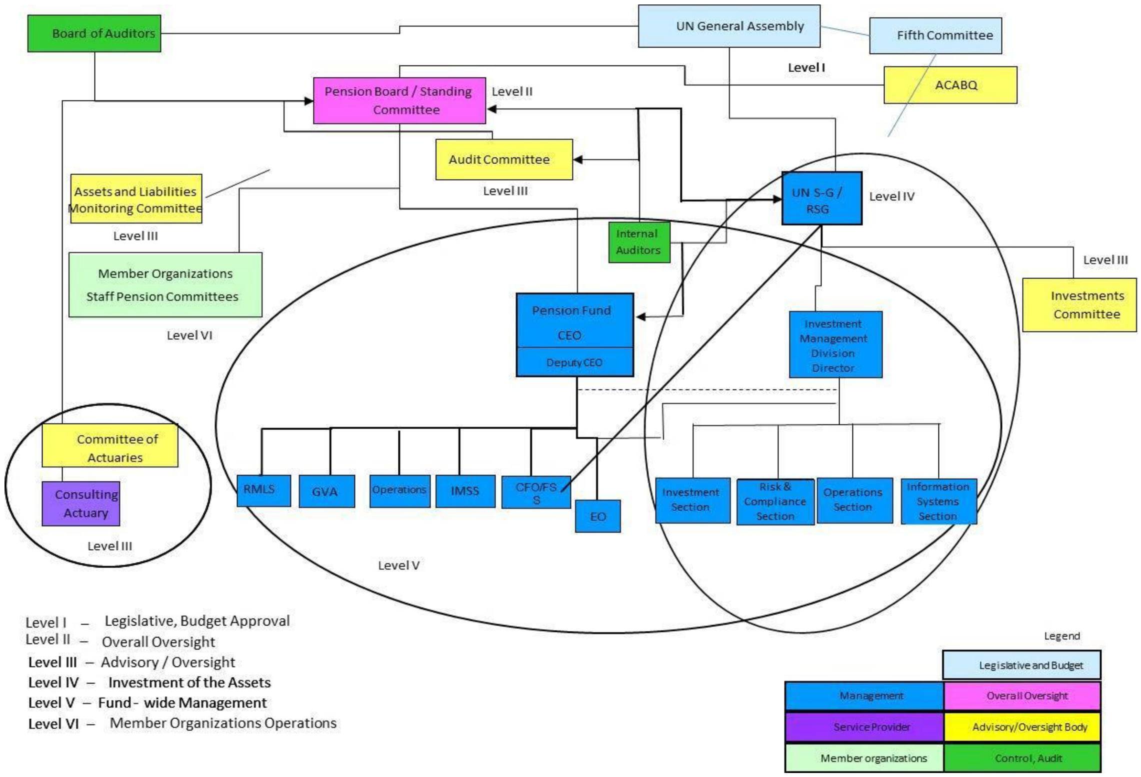
23	Number of member organizations, including the United Nations
126,892	Participants in the Fund
71,474	Beneficiaries
$52.45 billion	Total assets
$183.39 million	Total liabilities
($2.7 billion)	Deficit of pensionable remuneration[a]
$52.27 billion	Net assets available for benefits
$1.81 billion	Total income
$2.42 billion	Total expenses, including benefit payments
($458.26 million)	Investment income (loss)
(1.7) per cent	Inflation-adjusted real return for 2015 (negative return)

[a] According to the 2013 actuarial evaluation.

A. Mandate, scope and methodology

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board and currently has 23 participating organizations, including the United Nations. The Fund is a multi-employer defined benefit plan. The governance structure of the Fund is set out in figure II.I below.

Figure II.I
Governance structure of the United Nations Joint Staff Pension Fund



Source: United Nations Joint Staff Pension Fund.

Abbreviations: ACABQ, Advisory Committee on Administrative and Budgetary Questions; CEO, Chief Executive Officer; CFO/FSS, Chief Financial Officer, Financial Services Section; GVA, United Nations Office at Geneva; IMSS, Information Management Systems Service; RMLS, Risk Management and Legal Services Section; UN S-G/RSG, Secretary-General/Representative of the Secretary-General for the investment of the assets of the Fund.

2. The Board of Auditors (the Board) has audited the financial statements of the United Nations Joint Staff Pension Fund (the Fund) and has reviewed its operations for the year ended 31 December 2015 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2015 and its financial performance for the year then ended, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income

and expenses had been properly classified and recorded. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the audit of the accounts and financial transactions, the Board reviewed the operations of the Fund under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of the United Nations Joint Staff Pension Fund operations.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up to previous recommendations

6. Of the 12 outstanding recommendations as at 31 December 2014, only 3 (25 per cent) had been fully implemented, 7 (58.33 per cent) were under implementation and 2 (16.67 per cent) had not been implemented. The details are provided in the annex.

7. Two important recommendations in respect of improving core functions of the Fund remain unimplemented. These pertain to the need for: (a) closer collaboration with member organizations and the actuarial service agency; and (b) exploring alternatives to mitigate foreign exchange losses, including a detailed cost-benefit study for a suitable hedging strategy.

2. Financial overview

8. As at 31 December 2015, the total assets of the Fund amounted to $52.45 billion (2014: $53.10 billion) and the total liabilities amounted to $183.39 million (2014: $217.36 million), making net assets available for benefits of $52.27 billion (2014: $52.88 billion). This represented a decrease of $616.63 million compared with an increase of $1.41 billion in 2014. The market value of the investments of the Fund as at 31 December 2015 was $52.19 billion (2014: $52.85 billion). This represented a decrease of $0.66 billion compared with December 2014. The asset allocation was 62.22 per cent in equities, 24.17 per cent in fixed income, 6.51 per cent in real assets, 3.48 per cent in alternatives and other investments and 3.62 per cent in cash and short term.[1]

9. The total income of the Fund in 2015 was $1.81 billion (2014: $3.92 billion) comprising investment losses of $458 million (investment income in 2014: $1.66 billion), contributions of $2.26 billion (2014: $2.26 billion) and other income

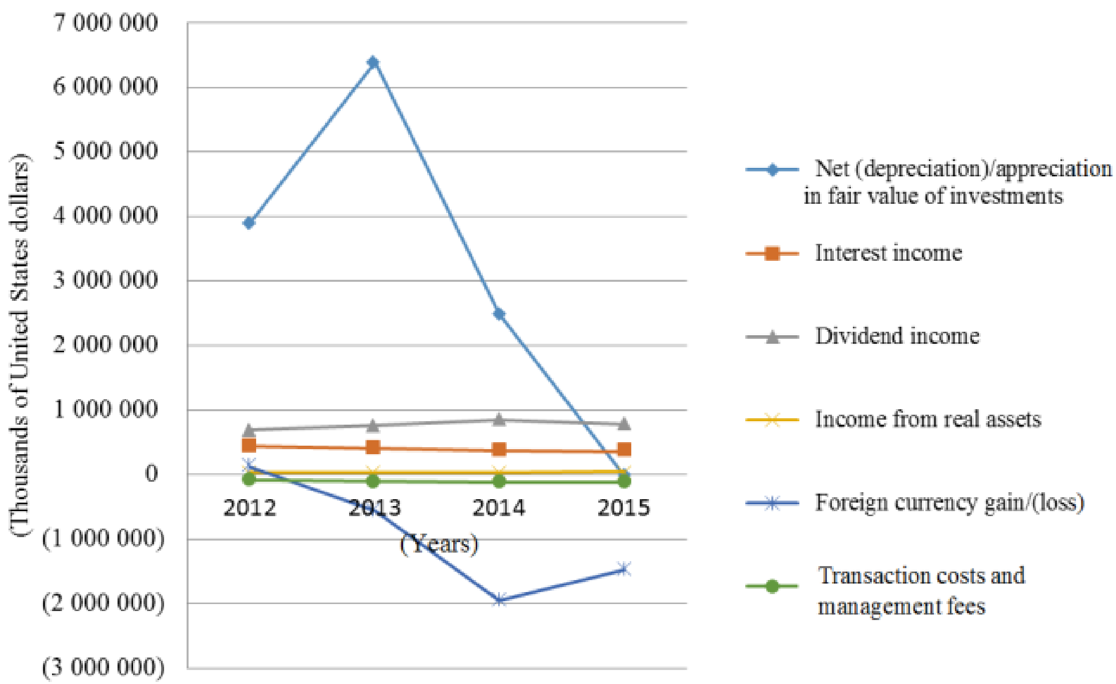
[1] Key drivers of the Fund's performance (calendar year 2015) as stated in the report on the 228th meeting of the Investments Committee.

of $8.53 million (2014: $1.93 million). Expenses (comprising benefit payments, administrative expenses and other expenses) amounted to $2.42 billion (2014: $2.51 billion).

10. The investment income fell by $5.26 billion (76 per cent) in 2014 compared with 2013 and by a further $2.12 billion (127.63 per cent) in 2015 compared with 2014. In the year 2015, the fair value of the investments depreciated by $18.13 million (appreciation in 2014: $2.5 billion) and there was a foreign exchange loss of $1.49 billion (2014: $1.96 billion).

11. The analysis of investment income over the past four years is depicted in figure II.II below.

Figure II.II
Investment income/(loss)



Source: United Nations Joint Staff Pension Fund financial statement.

12. The Fund return (nominal) for the year 2015 was negative and was at (-) 1.00 per cent versus (-) 1.10 per cent for the policy benchmark. The inflation-adjusted real return was (-) 1.7 per cent against the required 3.5 per cent set as a long-term investment goal.[2]

13. As at 31 December 2015, the Fund had 126,892 participants compared with 122,759 participants in 2014, an increase of about 3.4 per cent. The number of periodic benefits as at 31 December 2015 was 71,474 compared with 72,367 in 2014, a decrease of 1.24 per cent.

[2] Investment policy 2014.

14. The actuarial valuations are obtained by the Fund once every two years. The Fund presented the 2015 financial statements on the basis of the 2013 actuarial report, which was the most recent report available at the time of preparation of the 2015 financial statements. Actuarial valuation at the end of the year 2013 had shown a deficit of $2.7 billion. The actuarial valuation as at 31 December 2015 was in progress during the audit in July 2016. The Fund provided a copy of the 2015 actuarial report dated 5 August 2016 to the Board on 23 August 2016. The 2015 actuarial report estimates that the Fund is in surplus by an amount of $562 million. The Board observed that, normally, the Fund should have obtained the actuarial report in time to be incorporated into the 2015 financial statements. In addition, the Board was unable to audit the results of the actuarial evaluation of 2015 owing to its late submission.

15. The Fund reported that the preparation of its financial statements for 2015 was delayed owing to the implementation of a new enterprise resource planning system in the Fund's member organizations, which in turn delayed the submission of participant-level information to the Fund. That situation also had an impact on the preparation of the actuarial valuation as at 31 December 2015, given that the consulting actuary could begin the actuarial valuation only upon the completion of the Fund's financial statements.

3. Compliance with the International Public Sector Accounting Standards

Financial statement disclosures

16. Detailed and standardized disclosures in the financial statements are of vital importance for the transparency and management of public pension funds. These disclosures facilitate a clear and unambiguous understanding of the financial statements. IPSAS also encourages entities to present additional information to assist users in assessing the performance of the entity and its stewardship of assets and in evaluating decisions about the allocation of resources. The Board reviewed the Fund's financial statements and observed that some of the disclosures were either incomplete or incorrect, necessitating revision. Management has since corrected or revised those disclosures to bring more clarity to the users of the financial statements.

4. Investment management

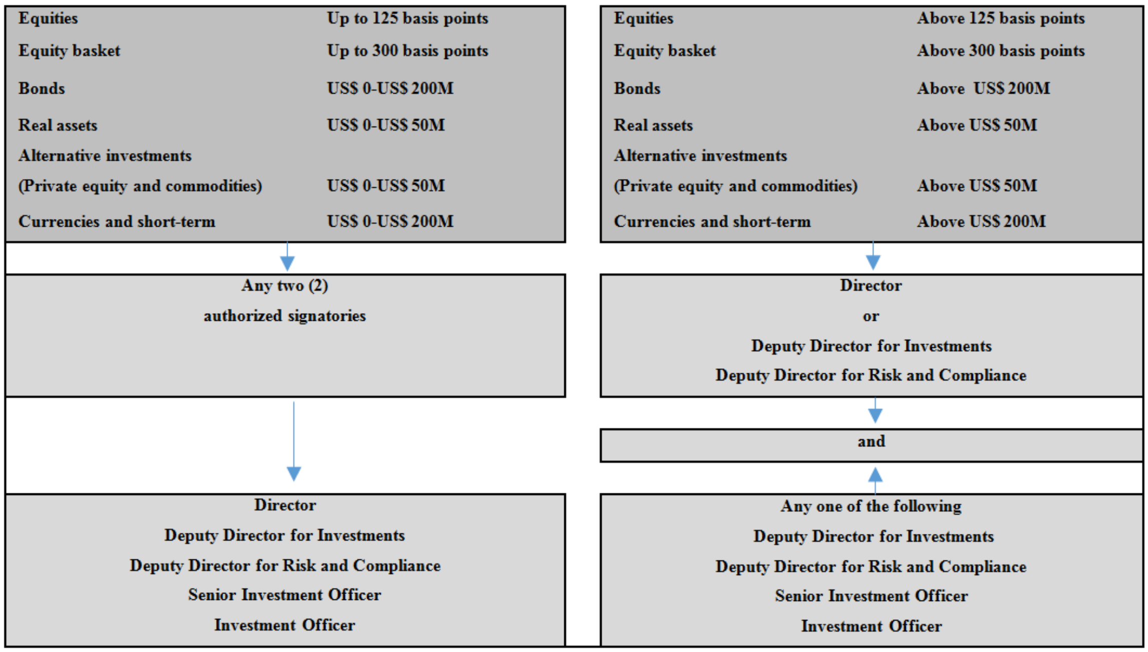
17. The Investment Management Division is headed by the Representative of the Secretary-General for the investment of the assets of the Fund. The Board reviewed the mechanism in place for the formulation and implementation of the investment strategy, policies and decision-making processes being followed by the Fund in order to assess whether the Fund had appropriately addressed the associated risks and its performance against established benchmarks and the target rates of return required to meet expected pension obligations.

Vacancies in the Investment Management Division

18. The Investment Management Division assists the Representative of the Secretary-General in evaluating investment advice received and in making the final decision as to the purchase or sale of specific investments. It also formulates

investment strategies and executes them with the approval of the Representative of the Secretary-General. The structure of the Division in respect of making investment decisions is set out in figure II.III below.

Figure II.III
Decision-making structure of the Investment Management Division in respect of making investment decisions

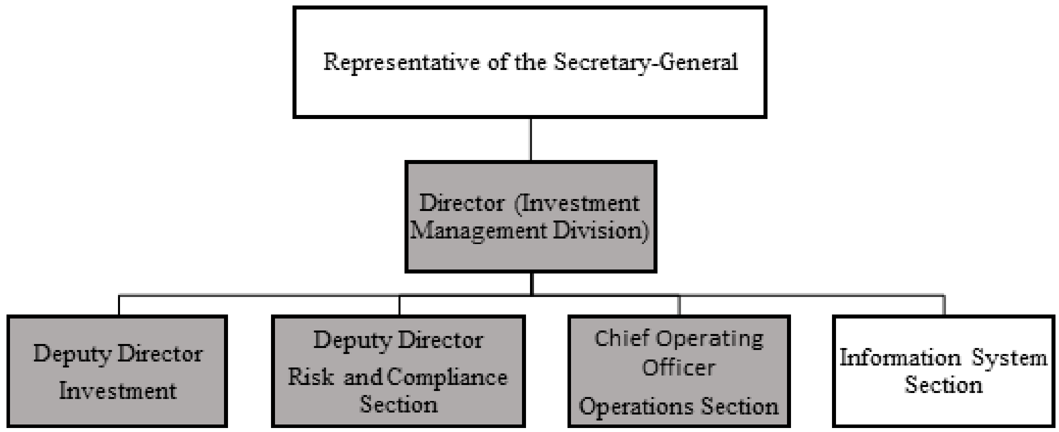


Source: United Nations Joint Staff Pension Fund.

19. The Investment Management Division is organized in sections, including an Investment Section, Risk and Compliance Section, Operations Section and Information System Section.

20. The Board noted that the key posts of Director of the Investment Management Division, Deputy Director for Investments, Deputy Director for Risk and Compliance and the Chief Operating Officer were vacant in 2015. The organization chart of the Investment Management Division is shown in figure II.IV below; the shaded boxes represent the positions that were vacant in 2015.

Figure II.IV
Organization chart of the Investment Management Division



Source: Board analysis of the United Nations Joint Staff Pension Fund governance chart.

21. The post of Director of the Investment Management Division had been vacant since the retirement of the former Director in March 2015. The Director of the Division is responsible for recommending investment policy and strategy to the Representative of the Secretary-General for the investment of the assets of the Fund. The post was filled on 30 June 2016.

22. The Risk and Compliance Section is headed by a Deputy Director, who assists the Director and the Representative of the Secretary-General in the development and implementation of the Fund's policy on investment risk control and performance-related issues. The Deputy Director is responsible for monitoring emerging risks and integrating risk-management principles consistent with the strategic framework and the risk budget of the Fund. The post of Deputy Director (Risk and Compliance) has been vacant since October 2015 and is to be advertised. One post of Compliance Officer that was approved in 2015 in the Risk and Compliance Section also has not been filled. As a result of those vacancies, it is concluded that this section must limit its activities to risk monitoring rather than carrying out active risk management.

23. The post of Chief Operating Officer has also been vacant since 2015. The Chief Operating Officer is responsible for back-office operations, including back-office investment operations and trade settlement, investment transactions reconciliation and accounting, cash projections and settlement of foreign exchange transactions, regular reporting (including the investments portion of the Fund's financial statements) and tax recovery actions. The Investment Management Division reported that the post has been temporarily filled since September 2015 and the regular post has been advertised.

24. The Board observed that the total vacancy at the Professional level in the Investment Management Division for more than six months was more than 25 per cent.

25. The Fund informed the Board that it was addressing key man risk by making every effort to fill the vacancies. The additional capacity/onboarding of new staff would facilitate the Division's daily activities and broaden its opportunities.

26. While noting the reply, the Board is of the opinion that in order to effectively manage the investment assets of the Fund, it would be prudent to have a well-defined succession plan to ensure that vacancies are filled promptly. Long-pending vacancies at the senior level have an adverse impact on the Fund's performance and its investment strategy, leading to the centralization of responsibility and overburden of the existing professionals and may compromise the segregation of duties and result in inefficiencies.

27. The Fund accepted the audit observation.

28. **The Board recommends that the Fund, while filling the vacancies at the senior levels at the earliest opportunity, draw up a succession plan that foresees and addresses the changes that will occur when senior positions become vacant.**

Tactical asset allocation[3]

29. The primary goal of a strategic asset allocation is to create an asset mix that will provide an optimal balance between expected risk and return for a long-term investment horizon. Strategic asset allocation is often considered a reference portfolio that is tactically adjusted on the basis of short-term market forecasts, following a process often called tactical asset allocation. Many empirical studies support the idea that strategic asset allocation is the most important determinant of the total return and risk of a broadly diversified portfolio.[4]

30. Strategic asset allocation[5] is designed to achieve the 3.5 per cent real rate of return needed to meet the Fund's long-term objectives. The long-term strategic allocation forms the core of the actual portfolio, but market movements cause deviations from target allocations to occur, and opportunities for rebalancing certain asset classes on the basis of fundamental evaluation arise from time to time. Therefore, the Fund adopts tactical asset allocation within the overall strategic asset allocation for the purpose of active management of the asset portfolio.

31. At the quarterly meetings of the Investments Committee, the Investment Management Division proposed a new tactical asset allocation which, following discussion with the Investments Committee, was recommended to the Representative of the Secretary-General. The Representative of the Secretary-General approved the tactical asset allocation.

32. The Board noted that, at one time, Investments Committee members had recommended tactical asset allocation as a fixed percentage for each asset class. However, since November 2014, percentage ranges have been used for tactical asset allocation rather than a fixed number. The Board noted that the tactical asset allocation ranges had remained the same from November 2014 to 31 July 2015 and had been revised from 1 August 2015, following revision of the strategic asset allocation.

[3] Tactical asset allocation represents near-term asset allocation ranges.

[4] Lyxor Asset Management Group, "White Paper: Strategic Asset Allocation", Issue No. 6 (Paris, March 2011) available from http://www.lyxor.com/uploads/tx_bilyxornews/Strategic_Asset_Allocation.pdf.

[5] Strategic asset allocation represents long-term asset allocation targets and ranges.

33. The Board also noted that the Investment Management Division had analysed[6] the effectiveness of tactical asset allocation and found that it had contributed 223 basis points and had contributed positively in 18 of the 24 quarters analysed, representing positive value added 75 per cent of the time. However, from the 224th meeting of the Investments Committee onwards (i.e., from February 2015), no value addition to performance on account of tactical asset allocation was calculated.

34. The Fund stated that it was using a different approach and definition in respect of tactical asset allocation whereby it was defined as a subset of the strategic asset allocation ranges. Consequently, the best way to measure the value added by the tactical asset allocation was to compare the performance of the policy benchmark for the Fund to the actual performance of the Fund. In addition, efforts had been made to calculate the value added from tactical asset allocation in the past but they had been neither successful nor accurate.

35. The tactical asset allocation represents active management of the asset portfolio by over/under weighing each asset class relative to the strategic asset allocation target weight for each asset class. Given that market and economic conditions do not remain static, the Board considers that the asset allocation should be reviewed regularly. Also, calculating value addition owing to tactical asset allocation would help in the directional impact of the investment strategy.

36. While accepting the audit observation, the Fund stated that it was in the process of developing such a mechanism with input from the Investments Committee and others.

37. **The Board recommends that the Fund devise a mechanism to assess the value addition to performance owing to active management of the portfolio on a regular basis so as to assess its impact and implement course correction as deemed necessary.**

Internal reference benchmarks

38. The Fund uses the Morgan Stanley Capital International[7] All Country World Index as a benchmark for evaluating the Fund's equity portfolio performance and the Barclays Capital Global Aggregate Bond Index as a benchmark for its fixed-income portfolio. The Morgan Stanley Capital International All Country World Index consists of 46 country indices comprising 23 developed and 23 emerging market country indices (as at February 2015).

39. The investment guidelines of the Fund specify the kind of investments, quantum of holdings, restricted or prohibited industries, diversification and approved list of holdings, including non-index companies, in which the Fund can invest, in order to satisfy the established investment criteria of safety, profitability, liquidity and convertibility.

40. While making a presentation to the Pension Board (JSPB/62/R.40), the reasons cited by the Fund for the underperformance of the Fund versus its policy benchmark

[6] Minutes of the 224th meeting of the Investments Committee.

[7] Morgan Stanley Capital International is a provider of investment decision support tools to investment institutions worldwide. Its products include indices and portfolio risk and performance analytics.

for the biennium included a relatively short duration position in the fixed-income portfolio against the benchmark, stock selection, restrictions on owning tobacco and armament securities and the strengthening of the United States dollar.

41. The Board observed that the special investment criteria applicable to the Fund warranted the use of a customized reference benchmark. The applicability of the Morgan Stanley Capital International All Country World Index and Barclays Capital Global Aggregate Bond Index benchmarks to the Fund would be limited given that the criteria for investment in underlying securities were different.

42. The Fund stated that the topic of an internal reference benchmark had periodically been discussed within the Investment Management Division. In 2016, the Investment Management Division Risk Group, in conjunction with the master record keeper, performed a study to analyse the historical impact (risk and return) of constraints (for example, of not investing in the tobacco industry) to the Fund's equity portfolio. Based on those restrictions and constraints, the option to customize the benchmarks or make the impact of restricted stock more transparent in the reporting was still under consideration and would be further discussed with the Investments Committee prior to the next benchmark study.

43. The Fund also stated that on an interim basis, prior to the next formal benchmark study, it could compare the performance of its equity portfolios to a customized benchmark(s) such as the Morgan Stanley Capital International All Country World Index, excluding tobacco and/or excluding armament stocks.

44. **The Board recommends that the Fund establish customized reference benchmarks taking into account the Fund's special criteria, which would better measure the Fund's overall performance.**

Risk management in the Investment Management Division

45. The risk management manual sets forth the investment policy risk controls for the risk management programme. The risk management manual (para. II.4 (e)) requires that the Fund monitor unrealized gains and losses on each position and when they exceed 25 per cent of the investment, an examination of the due diligence process and the continued basis of holding is triggered by the Compliance Section weekly. The Investment Section reviews the performance quarterly on the basis of reports generated by the master record keeper.

46. When asked whether it would not be appropriate to have a more frequent review with a trigger at a lesser percentage for unrealized gains/losses, the Fund informed the Board that the threshold of 25 per cent had been decided after working with the Office of Internal Oversight Services (OIOS). It added that while all the holding securities were monitored by each team on a daily basis and reviewed by the Investment Management Division together with the Investments Committee on a quarterly basis, the supervisors needed more frequent review (i.e., weekly or monthly) for the significant underperformers. The Fund also stated that the monitoring process needed to be formalized, with the support of the risk team, to generate accurate, timely and objective reports and highlight the securities (placed on the "watch list" on the basis of pre-set criteria) that needed attention. It would be helpful if they covered longer-term analysis, such as the contributors in the past 1, 3, 6 or 12 months, together with the watch list.

47. The risk management manual (para. II.4 (a)) stipulates that through the process of risk budgeting, tracking-risk tolerances are assigned to the whole portfolio as well as individual portfolios that are monitored by the Risk Group and discussed quarterly in the Investments Committee meetings. On a daily basis, the portfolios are managed by senior investment officers/investment officers as long as they are within the risk budget.

48. The Board noted that no formal mechanism existed for the submission of reports tracking portfolio and security risks to the Representative of the Secretary-General through the Director of the Investment Management Division and the Deputy Director for Investments, who are the immediate supervisors of the senior investment and investment officers. The Fund stated that the risk budget for the whole portfolio and the individual portfolios was prepared on a monthly basis and was available to the investment team.

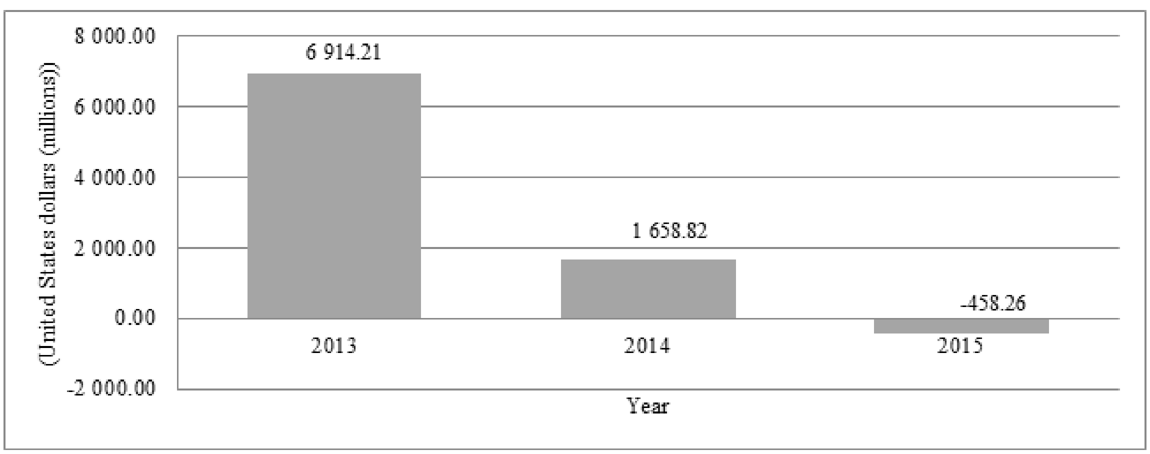
49. **The Board recommends that the Fund: (a) introduce a mechanism for a more frequent supervisory review of the underperforming securities on the basis of certain predefined parameters; and (b) formalize the system for regularly tracking risk tolerance monitoring and risk management, by the Representative of the Secretary-General through the Director of the Investment Management Division and the Deputy Director for Risk and Compliance.**

Return on investments

50. The Fund’s long-term performance objective is to achieve a 3.5 per cent annualized real rate of return, as adjusted by the United States consumer price index. The Fund had an inflation-adjusted negative real return of 1.7 per cent in 2015 compared with a positive real return of 2.4 per cent in 2014. The Fund therefore underperformed in both years against the 3.5 per cent benchmark.

51. The Fund’s investment income/loss from 2013 to 2015 is depicted in figure II.V below.

Figure II.V
Investment income/(loss)



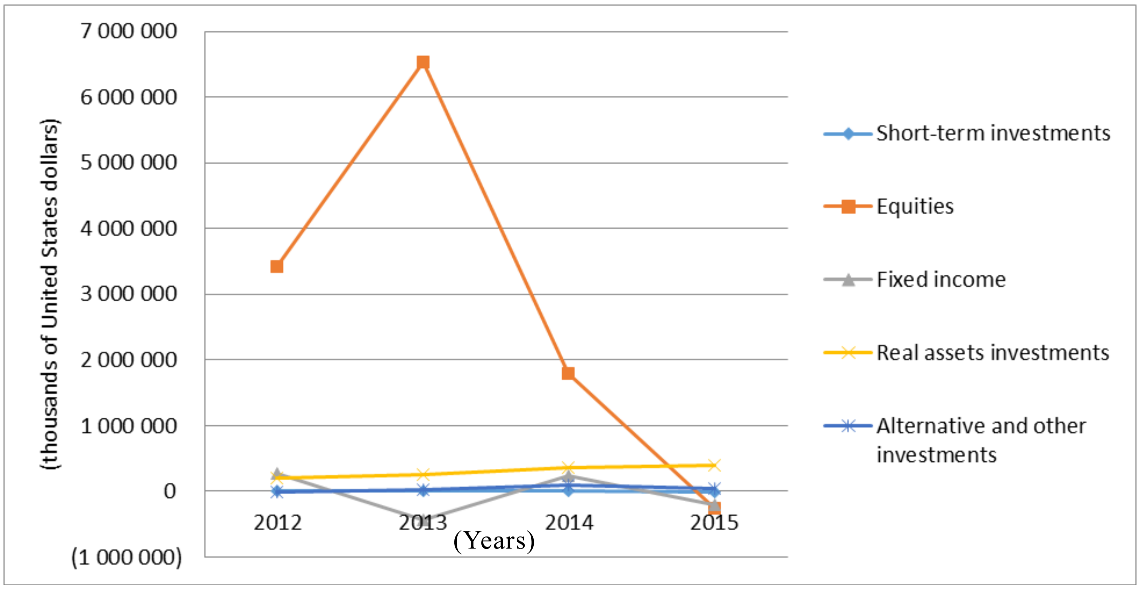
Source: United Nations Joint Staff Pension Fund financial statements.

52. The Board noted that investment income fell by $5.26 billion (76 per cent) in 2014 compared with 2013 and by a further $2.12 billion (127.63 per cent) in 2015 compared with 2014. That has adversely affected the performance of the Fund over the short term and may have a negative impact on the long-term objective of ensuring that the Fund is fully funded.

53. The Board noted that in the year 2015, the fair value of the investments depreciated by $18.13 million (appreciation in 2014: $2.5 billion) and suffered foreign exchange losses of $1.49 billion (2014: $1.96 billion). The Fund had invested 62.22 per cent in equity and 24.17 per cent in fixed-income as at 31 December 2015,[8] in conformance with the Fund's strategic asset allocation. The fair value of equity and fixed-income assets depreciated by $255.86 million (compared with a gain of $1.8 billion in 2014) and by $205 million (gain of $236.9 million in 2014), respectively. The short-term investments suffered a loss of $7.2 million in fair value in 2015. Thus, the Fund did not perform well in the asset classes in which it was heavily invested, leading to a negative return on investments in 2015.

54. The change in fair value for assets (designated at fair value) is depicted in figure II.VI below.

Figure II.VI
Change in fair value for assets (designated at fair value) from 2012 to 2015



Source: United Nations Joint Staff Pension Fund financial statements.

55. According to the Fund, the return on total internal equity was (-) 1.41 per cent, fixed income (-) 3.40 per cent, cash and short term (-) 5.16 per cent and alternative investments (-) 1 per cent. Only the investment in real assets gave a positive return, of 10.01 per cent, in 2015.[9]

[8] Investments Committee Blue Book, minutes of the 228th meeting, Executive summary.
[9] United Nations Joint Staff Pension Fund, calendar year 2015 returns.

56. The Board observed from the analysis of the performance of the Fund against the respective benchmarks of the asset class over a period of one, three, five and seven years that the performance of cash and short term, real assets and alternative investments was consistently below the benchmark during those periods. Fixed-income returns over a one-year and three-year period were also below the benchmark.

57. The Board also noticed that other pension funds delivered better performances in 2015. One fund with a corpus of $897 billion[10] (as at 31 December 2015) gave a positive return of 2.74 per cent in 2015. The return on equity and fixed income was 3.8 per cent and 0.3 per cent, respectively. Similarly, another fund with a corpus of $212 billion[11] (as at 31 March 2016) gave a return of 3.70 per cent (as at 31 March 2016). Its return on equity and fixed income was 0.56 per cent and 3.65 per cent, respectively.

58. In response, the Fund stated that it did not believe that it had peers owing to the unique global nature of the Fund. While pointing out that every fund has its own specific requirements, the Fund agreed that other pension funds could be used as reference points and that meaningful lessons could be learned from them in order to make suitable interventions. The Fund also stated that it was currently in the process of reviewing its internal investment and risk processes and procedures.

59. The Board understands that the other pension funds referred to above might not be considered peers. It nevertheless considers that their performance would be useful for reference purposes given that in 2015, their investments in comparable asset classes of "equity" and "fixed income" achieved positive returns. In view of the significant fall in the investment income of the Fund by 2.12 billion (127.63 per cent) in 2015 compared with 2014, there is a need to study and learn good investment management practices by other pension funds.

60. **The Board recommends that the Fund review its investment and risk processes, including learning lessons from higher-performing funds, so as to improve its efforts to achieve the targeted 3.5 per cent real rate of return.**

Cash management in the Investment Management Division

61. The strategic asset allocation target according to the 2014 investment policy for cash and short term was 3 per cent (+/- 3), which was revised downwards to 1.5 per cent (+4.5/-1.5) under the revised strategic asset allocation effective from 1 August 2015.

62. The cash and short-term holding was 3.52 per cent ($1.83 billion) of the total investment at the end of 2015 compared with 3.65 per cent ($1.93 billion) at the end of 2014. The return on cash and short term for the year 2015 was minus 5.16 per cent (the return on cash only was minus 6.2 per cent). The return on cash for the year 2014 was minus 4.64 per cent.

63. The Board noted that the Fund held cash in 24 currencies, including the United States dollar. The value of cash in non-United States dollars at the end of December

[10] One Norwegian krone equals 0.12 United States dollars.
[11] One Canadian dollar equalled 0.76 United States dollars on 28 June 2016.

2015 was equivalent to 21.42 per cent[12] of the total cash held and was exposed to foreign exchange risk.

64. The Board also noted that although the approved strategic asset allocation allows the holding of cash, the suballocation in different non-United States dollar currencies was an investment decision of the Fund.

65. The Fund stated that it needed to maintain cash in different currencies for various purposes, such as settlement, payroll and performance. It further stated that there was no minimum requirement in respect of the currencies to be maintained. Over the course of the month, the Fund either buys currencies or uses income from dividends or coupon payments to cover payrolls.

66. The Fund also stated that the performance of cash and foreign exchange should be measured over a longer period of time given that in 2000-2007, 2009 and 2010-2011, the United States dollar depreciated against most other currencies. If the Fund had kept 100 per cent in United States dollars during the 2014-2015 biennium, the losses could have been significant.

67. While noting the reply, the Board observed that given that the Fund itself had confirmed that there was no minimum requirement to be maintained, and the Fund bought currencies to cover payrolls, it was important that the Fund rebalance its cash portfolio considering that it lost $232.24 million owing to foreign exchange fluctuations from 2013 to 2015.

68. **The Board recommends that the Fund carry out a review of the cash requirements of various currencies in order to keep a minimum investment in cash, given that it carries a low return and is subject to foreign exchange fluctuation.**

Management of foreign exchange gains/losses

69. Open exposure to foreign exchange volatility brings with it the risk of reduced returns or even capital erosion. This is evident from the 2014 and 2015 investment returns. The Fund’s foreign currency losses were $1.49 billion in 2015 and $1.96 billion in 2014. Significant foreign exchange losses were one of the major factors contributing to the net investment loss of $458.26 million in 2015.

70. The Board noted that the Fund had experienced total foreign exchange losses of more than $4 billion[13] since 2013 (equivalent to 7.63 per cent[14] of total assets as at 31 December 2015). The losses affected all asset classes and were in all currencies except the Hong Kong dollar and the Japanese yen in 2015.

71. The Board also noted that equity, which comprises 62.22 per cent of the total portfolio, contributed $739.3 million (49.6 per cent), fixed income, which comprises 24.17 per cent of the total portfolio, contributed $582.95 million (39.15 per cent) and cash and short term, which comprise 3.62 per cent, contributed $113.5 million (7.6 per cent) to the foreign exchange losses.

[12] Total cash (dollars) = 1,293,882,672; cash in dollars = 1,016,758,813; percentage in non-United States dollar currencies = (1293882672-1,016,758,813)100/1293882672 = 21.42 per cent.

[13] 2013: $558.92 million; 2014 — $1.96 billion; 2015 — $1.49 billion.

[14] Total assets: $52.45 billion according to the financial statement.

72. The Fund also informed the Board that master record keeper reports were monitored daily for performance and contribution to the performance coming from unhedged currency exposure. However, those were not foreign exchange gains or losses but were monthly revaluations of assets invested in currencies other than the United States dollar.

73. While noting the reply, the Board is of the opinion that it is important to assess the impact of foreign exchange losses on the asset holding and not merely consider the entire amount as losses owing to revaluation of assets. Concern about the foreign exchange losses was also raised by the Board in its 2014 report. The Board had recommended that the Fund explore alternatives to mitigate the foreign exchange losses, including a detailed cost-benefit study for a suitable hedging strategy.

74. In response, the Fund stated that it had studied foreign exchange in 2015 and had met with several experts on the topic. The Investments Committee, at its 225th meeting, had recommended that currency hedging not be adopted at the present time in the light of the zero-sum nature of the strategy and the recent currency moves. The Fund also stated that it would explore the resources, logistics and utility related to identifying suitable tools to fulfil the Board's observations.

75. **The Board recommends that the Fund: (a) address the foreign exchange exposure issue and employ suitable procedures and tools to mitigate foreign exchange losses; and (b) develop an internal mechanism to monitor, evaluate and manage losses or gains owing to foreign exchange in addition to regular monitoring of the fair value of the assets.**

Fixed-income returns

76. The Fund had a total allocation of $12.59 billion (24.17 per cent) to fixed-income investments as at 31 December 2015. Fixed-income investment had a negative return of 3.40 per cent in 2015. The loss comprised $205.02 million owing to devaluation in the fair value of fixed-income investments and $582.95 million owing to foreign exchange losses. A total of 46.53 per cent of the fixed-income investment was in a currency other than the United States dollar. The Board observed that although strategic asset allocation provided for allocation in fixed income as an asset class, the allocation in different currencies was an investment decision of the Investment Management Division.

77. When the Board questioned the reasons for non-United States dollar fixed-income instruments despite large foreign exchange losses, the Fund stated that being a global fixed-income fund with a global benchmark that had a number of currency weights, including the United States dollar (45 per cent), the euro (24.2 per cent), the Japanese yen (16.2 per cent), the pound sterling (5.9 per cent) and others (8.7 per cent), there was a need to invest in currencies that were in the benchmark for risk management and performance purposes. The Fund added that the time period referenced was a relatively short one during which the United States dollar was appreciating, hence the foreign exchange losses.

78. The Board noted that fixed-income investment had experienced foreign exchange losses in 2013 and 2014 as well. Further, the revised strategic asset allocation provided for (+10.5/-7.5) per cent flexibility beyond the targeted strategic asset allocation of 26.5 per cent for fixed income.

79. The Board also noticed that the Fund held securities in euros, Swedish krona and Japanese yen that had negative yields.

80. The Fund stated that securities with negative yields were also part of the benchmark. It explained that negative yields still could provide a positive return to the portfolio if the currency strengthened or yields fell further.

81. The Fund also stated that currency allocation relative to the benchmark and short duration relative to the benchmark had caused the underperformance of 27 basis points. It continuously monitored and reviewed its asset allocation and made every effort to take suitable action to meet or exceed its fixed-income benchmark (the Barclays Capital Global Aggregate Bond Index) and to limit losses.

82. While noting the reply, the Board considers that in order to address the losses incurred to date, the processes adopted to manage the fixed-income investments by the Fund should be reviewed, especially from the point of view of the allocation made to different currencies.

83. **The Board recommends that the Fund review its processes for fixed-income investments to ensure that it meets or exceeds its benchmark.**

Management of external fund managers

84. The Fund has contracted the services of four external fund managers for investments in small-cap equity in different geographic regions, namely, North America, Europe and Asia. The Fund had an investment of $2.27 billion in small caps as at 31 December 2015. It paid $9.8 million in management fees to the four fund managers.

85. The contracts with the external fund managers were initially signed during 2008-2010 for a period of three plus two years. However, the same fund managers received multiple extensions or renewals to the existing contracts. Although the firms were given multiple renewals, the compensation terms remained the same.

86. In 2011, the Fund decided to treat the selection of external managers as an investment decision rather than a procurement exercise. However, although more than four years have passed since the decision to have separate guidelines for the selection and evaluation of external managers of funds (discretionary investment managers) was taken, the guidelines have not yet been finalized.

87. The Fund stated that it evaluated the performance of the fund managers quarterly and annually. The evaluation considered various aspects, including investment performance against the benchmarks, the stability and soundness of the firm and the investment team, the consistency of the investment style and the timing and accuracy of the reporting. However, it did not have a format for evaluation prior to the renewal of the contracts.

88. In the absence of approved guidelines, the Fund may have to renew the contracts with the existing fund managers and therefore miss the opportunity to hire better external managers and negotiate more favourable terms and conditions.

89. **The Board recommends that the Fund prepare a time-bound action plan to finalize and publish its selection and evaluation criteria for external fund and discretionary investment managers.**

Service-level agreement for the trade order management system

90. The Fund has three information technology systems in operation in its Investment Management Division, namely: (a) Bloomberg PORT, which is a tool for day-to-day portfolio management and analysis; (b) Omgeo, which is a confirmation and affirmation system that includes all equity market brokers so that all equity trades are electronically confirmed and affirmed; and (c) a trade order management system which allows authorized users to trade any security listed on any stock exchange and connect all the parties involved in an electronic straight-through-processing.

91. In December 2013, the Fund decided to replace its trade order management system run by Charles River Associates with a new Asset and Investment Manager (AIM) from Bloomberg on the grounds that the existing system required ongoing upgrades and customization to suit users' requirements. Phase I of the Bloomberg AIM project was complete; however, phase II was yet to be implemented. The investments in equity were being carried out through the system but investments in fixed income and foreign exchange were being done manually. Bloomberg was a service provider and all the transactions were done through online access provided to the Fund by Bloomberg.

92. The Board observed that no formal service-level agreement defining the rights and duties of the parties and for the monitoring of quality of service had been entered into. When questioned about how the integrity and availability of data were assured, the Fund informed the Board that on a daily basis, positions, transactions and cash balances were electronically reconciled against the bank custodians' records (data) by the Investment Management Division using the AIM reconciliation module. In addition, Bloomberg was assessed yearly by an independent firm on data integrity, security, availability and confidentiality.

93. The Fund stated that it would explore related legal and procurement considerations in this regard. If feasible, it would revise the standard Bloomberg service-level agreement and the Investment Management Division would set up internal roles and schedules for periodic monitoring of the agreement.

94. The Board recommends that the Fund enter into a service-level agreement defining the respective roles and responsibilities and service-level benchmarks and that it develop a mechanism to secure compliance with the agreement.

5. Benefits payment management

Implementation of the Integrated Pension Administration System

95. The Integrated Pension Administration System (IPAS) is a complex and large-scale operational and technological initiative undertaken by the Pension Fund with the objective of replacing all major system applications with a new integrated system solution, re-engineering all of the Fund's operational processes, adopting a new operational paradigm, constructing and installing a new integrated database and updating and standardizing all hardware components (including replacing the legacy mainframe with more modern and efficient software and hardware components).

96. The estimated cost of the total project was $26.20 million as at 2015. This represented an increase of approximately $3.50 million over the amount originally estimated and approved at $22.70 million.

97. The system went live on 3 August 2015 and the Board was informed that the project team had worked very hard to ensure that the system was subject to extensive testing. During its audit, the Board examined the following:

(a) Whether all deliverables in the approved project report had been delivered;

(b) Whether the migration of data from the legacy system, the United Nations Joint Staff Pension Fund Administration System (PENSYS), had occurred successfully;

(c) The manner in which IPAS processed the benefit payments;

(d) Communications with the member organizations and the system that generated the financial statements;

(e) The business continuity measures in place.

98. The audit observations are discussed below:

(a) **Removal of inconsistencies in existing data.** For the migration of data from the old system to the new system, data should be sanitized and inconsistencies removed before a baseline for migration is established. Although the Fund was asked to provide details regarding sanitization, no document was furnished. In the absence of details, the Board is unable to draw conclusions on the sanitization of legacy system data prior to migration to IPAS;

(b) **Migration of data.** During the migration of data from the legacy system to the IPAS system, data from 76 fields were transferred. Out of approximately 184 million source records, almost 80,000 (0.04 per cent) were not migrated. Approximately 6.75 million records (3.67 per cent) were migrated, with some exceptions. As analysed in the scorecard, the reasons for data rejections included invalidity of various records, inconsistencies in data, non-matching of data, data conversion issues and null data. The Fund reported that exceptions during data migration were minimal and occurred only for data that did not affect any calculations. The small portion of data rejected (0.04 per cent) related primarily to historical information with extremely limited processing impact, if any. The Board observed that the Fund had not obtained any independent assessment of data migration and that the implementers had moved ahead with a go-live scenario on 3 August 2015 before resolving all the issues. As a result, full migration was not achieved;

(c) **Formation of key performance indicators.** The Fund has not framed key performance indicators to assess accuracy and timeliness at various stages of processing in IPAS. It stated that key performance indicators had not been implemented owing to ongoing system stabilization and that a detailed go-live plan and transition plan had been used by the IPAS project direction team to monitor the completion of all activities required for the implementation of the system as well as pending activities (gaps), issues and corrective actions. The Board, however, considers that key performance indicators are usually an input to the design of the system and assist in identifying gaps during system stabilization and corrective courses of action to be taken;

(d) **Activation of modules.** The implementation of self-service modules was part of the data conversion strategy document from the vendor. However, the member self-service module has not been implemented and limited functionality was deployed in respect of the employer self-service module for a considerable amount of time. This has resulted in incomplete implementation of IPAS. The Fund accepted this audit observation. The Fund informed the Board in September 2016 that the modules had since been launched, on 31 August 2016;

(e) **Achievement against business outcomes.** Vital outcomes envisaged in the project were the generation of management information system reports, the documentation of all systems and processes and the generation of pension statements. In an independent assessment of the implementation of IPAS, a consulting firm suggested that the enhancement of the system through the incorporation of a robust management information system and the documentation of all systems and processes would mitigate risks. The Fund has yet to achieve those outcomes. The Fund accepted that it had yet to implement a robust management information system and documentation system. Several initiatives in this regard are in progress.

99. **The Board recommends that the Fund: (a) resolve the issues of data migration; and (b) frame key performance indicators in accordance with functional requirements for assessing the accuracy and timeliness of IPAS outcomes.**

Client services

100. The Fund provides retirement, death, disability and related benefits for the staff of the United Nations and 22 other member organizations. The Fund currently serves 126,892 active participants and 71,474 beneficiaries and benefits are paid in 15 different currencies across 190 countries.

101. The Board examined the Fund's client services, focusing on the client query/grievance redressal mechanism, the number of queries/grievances received and resolved in 2015 and those pending as at 31 December 2015. The Board requested the Fund to provide reports submitted to management regarding the monitoring of queries/grievances received by the Fund in 2014 and 2015.

102. The Board found that queries/grievances from clients were received primarily by post and e-mail. In addition, the Fund addressed queries by phone and attended to walk-in clients, and those exchanges were also logged into IPAS. According to the available management reports, only details of general queries received and processed were available. No information on the handling of complaints or queries is available for the period following the implementation of IPAS (namely, post-July 2015).

103. During the period from January 2014 to July 2015 (the pre-IPAS period), a total of 22,380 general queries were received, of which 21,851 were processed. However, no data were available on the number of general queries that had been resolved. Further, 72 per cent of the queries received were processed within the benchmark of 15 business days against a target of 88 per cent. It was confirmed by management that no similar reports were available for the post-IPAS period.

104. The Board observed that there was no segregation of general queries and complaints received by the Fund. There was no centralized system to register the queries and complaints by giving them a distinct reference number, making it difficult to monitor their processing. Accordingly, the stage at which the queries were pending remained unclear to both the Fund participant and management at a given point in time. It was also observed that there was no written documentation detailing the query/grievance redressal mechanism in the Fund so as to indicate the prioritization of complaints and queries on the basis of their nature, or specified time periods for resolving complaints or queries on the basis of their priority. A general benchmark for the processing of queries has been fixed at 15 days, but there was no reporting system in place in IPAS with respect to the resolution of queries received by the Client Services Unit and the processing time taken by the Unit for resolving the queries.

105. **The Board recommends that the Fund: (a) acknowledge all queries and complaints received from all sources; (b) segregate queries and complaints so to address them appropriately; (c) devise a system of categorization and prioritization of complaints and their resolution; (d) inform the client periodically about the progress achieved in the resolution of the complaint; (e) devise a system for monitoring and reporting the status of grievances to the appropriate levels in the Fund in order to ensure an effective client delivery mechanism; and (f) review the complaints data to help to identify the weaknesses of the system and to improve and streamline the existing processes.**

Delays in the processing of benefits

106. The processing of benefits starts when all three of the mandatory documents (payment instructions from the participant, separation notice and separation personnel action) are received. In respect of the 98 cases of death in service and a sample of retirements and withdrawal cases processed in IPAS in 2015 or earlier, the time taken to process the cases after the receipt of all the documents is detailed below.

Table II.1
Time taken to process benefits

Processing time	*Death in service (total cases: 98)*		*Retirement and early retirement (sample size: 1 450)*		*Withdrawals (sample size: 2 963)*	
Within the benchmark of 15 days	14	(14%)	115	(7.9%)	241	(8.1%)
16 days-1 month	4	(4.1%)	124	(8.6%)	258	(8.7%)
1-2 months	9	(9.2%)	237	(16.3%)	650	(21.9%)
2-3 months	11	(11.2%)	230	(15.9%)	601	(20.3%)
3-6 months	31	(31.6%)	584	(40.3%)	941	(31.8%)
6 months-1 year	22	(22.4%)	139	(9.6%)	228	(7.7%)
>1 year	6	(6.1%)	1	(0.1%)	7	(0.2%)
Exceptions owing to non-availability of data	1		20		37	

Source: United Nations Joint Staff Pension Fund data.

107. The above table shows that only 14 per cent of death-in-service cases could be processed within the benchmark of 15 days, whereas 85 per cent of cases were processed with delays ranging from 16 days to more than one year. Only around 8 per cent of retirement and withdrawal cases could be processed within the benchmark of 15 days, whereas 91 per cent of cases were processed with delays ranging from 16 days to more than one year.

108. In its response, the Fund stated that the previous performance indicator of 75 per cent of benefit cases processed within 15 days would be reviewed to reflect the processing in the IPAS system and the significant increase in separations compared with historical levels.

109. The Board considers that the Fund needs to prescribe time frames for processing the cases and that it should develop a framework for reporting any delays or discrepancies in processing benefits to the appropriate level of management.

110. **The Board recommends that the Fund prescribe a time frame for servicing the case load. An internal reporting framework for each type of benefit based on its priority should be established.**

Certificate of entitlement

111. A certificate of entitlement is a form used by the Fund to verify the continuing eligibility of retirees and beneficiaries for the benefits they receive. The Fund sends the form every year to each retiree or beneficiary at the address on file in its records six months before the deadline for the receipt of the certificate.

112. The Board observed that the benefits of the retirees or beneficiaries are suspended if a certificate of entitlement is not received by the Fund, which may occur if the retiree or beneficiary has changed his/her address or owing to a malfunction of the local mailing service. Non-matching of signatures is another reason for the suspension of benefits. Information was sought from the Fund regarding the total number of cases in which a certificate of entitlement was requested, the number of cases in which the certificate was received by the Fund and could be accepted and the number of cases in which benefits were suspended. Data were requested for the years 2013-2015.

113. The Fund stated that in 2015, no certificate of entitlement exercise had been undertaken, given that it was a part of process improvements implemented with IPAS. The Fund changed the certificate of entitlement cycle from 2016, in order to complete a full certificate of entitlement exercise in the same calendar year. The Fund stated that pensions had been suspended owing to non-receipt of the certificate of entitlement form in 962 and 833 cases in 2013 and 2014, respectively.

114. The Board was of the opinion that it was important to obtain and process certificates of entitlement in the most practical and timely manner possible to ensure that all the valid beneficiaries continued to receive their benefits in a timely manner. Given that the beneficiaries use the banking system to receive their benefit and the banks are likely to have more regular contact with the beneficiaries, the Fund could explore the option of seeking the banks' cooperation in verifying and obtaining the certificate of entitlement.

115. **The Board recommends that the Fund simplify the process of obtaining the certificate of entitlement, including exploring the option of engaging the corresponding banks in the process.**

Delays by member organizations in the submission of documents in cases of separation and death in service

116. The Fund provides retirement, death, disability and related benefits for the staff members of the United Nations and the other member organizations. The United Nations and the other member organizations are required to submit three mandatory documents (namely, payment instructions from the participant, separation notice and separation personnel action) to the Fund to process the entitlement claims in case of separation or death in service.

117. Details regarding the opening balance of cases, cases received (with full documentation), cases processed and cases pending since 2014 were sought from the Fund. The Fund was unable to extract the requested information. Further, there was no available information in respect of the cases in which processing had not been started because the corresponding workflow had not been generated.

118. IPAS was implemented from 3 August 2015 and all the pending separation cases in PENSYS were brought into IPAS. Of the total 5,074 cases processed, a sample of cases were selected, for which the separation details were available, to assess the time taken by the member organizations to forward the documents after the separation of the participants. The details are shown in table II.2 below.

Table II.2
Delays by member organizations in the submission of documents

Time taken to submit the documents	*Death in service (total of 98 cases)*		*Retirement and early retirement (sample size: 1 450 cases)*		*Withdrawals (sample size: 2 963 cases)*	
<1 month	2	(2%)	375	(25.8%)	136	(4.6%)
1-2 months	12	(12.2%)	269	(18.6%)	339	(11.4%)
2-6 months	40	(40.8%)	613	(42.2%)	1 196	(40.3%)
6 months-1 year	19	(19.4%)	139	(9.6%)	1 002	(33.8%)
>1 year	24	(24.5%)	21	(1.4%)	215	(7.3%)
Exceptions owing to non-availability of data	1		33		75	

Source: United Nations Joint Staff Pension Fund data.

119. Table II.2 above shows that only 2 per cent of death-in-service cases were submitted within the period of one month, whereas 97 per cent of cases were submitted with delays ranging from more than one month to more than one year. Approximately 26 per cent of retirement and withdrawal cases were submitted within the period of one month, whereas 72 per cent of cases were submitted with delays ranging from more than one month to more than one year.

120. Further, in respect of 423 cases, although more than six months' time had elapsed since the separation of the participant, the separation notification had yet to

be received from the reporting entities and in respect of 2,616 cases, the entitlements could not be processed owing to non-receipt of payment instructions from the participants.

121. In response, the Fund agreed that there had been delays in the receipt of the separation documents and that the creation of "pension focal points" in all the reporting entities would facilitate the speedy processing of benefits. However, the Fund also stated that the creation of such positions and the determination of the relevant tasks were not within the scope of responsibility of the Fund. The Fund further reported that it would also conduct, with the support of an external consultant and in coordination with the member organizations, an end-to-end review of the separation-to-entitlement process to identify opportunities for achieving greater efficiency and effectiveness and improving coordination.

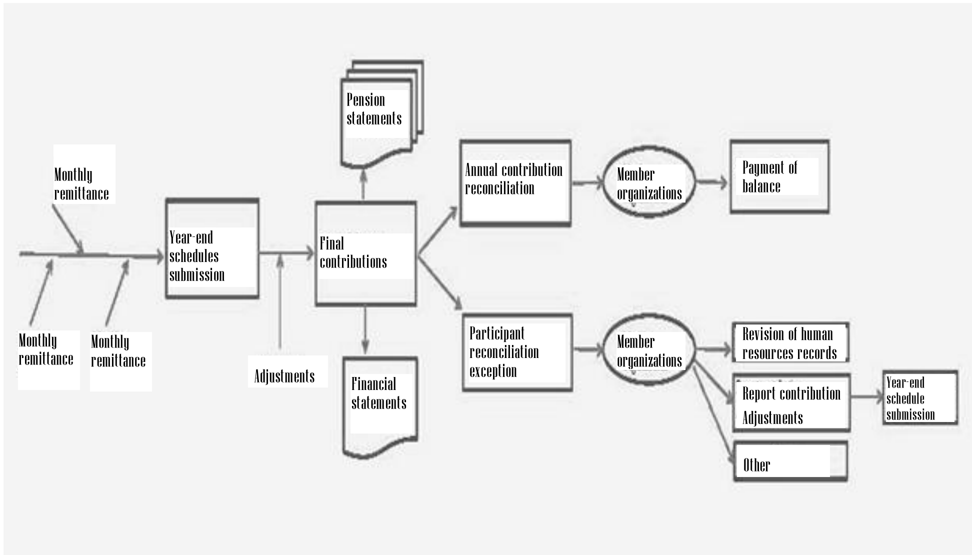
122. The Board considers that it is important for the Fund to work in collaboration with the participating organizations to develop a seamless system to ensure that the cases and related documents are received in time to enable the Fund to process them in a timely manner.

123. **The Board recommends that the Fund: (a) impress upon the participating organizations the need to ensure that they identify and submit to the Fund sufficiently in advance cases that are due for separation in the normal course of business; and (b) check the status of documentation and jointly devise a mechanism to resolve the issues relating to incomplete or missing documentation from member organizations.**

Reconciliation of employee contributions

124. Member organizations submit the schedules of the details of employee contributions to the Fund, on the basis of deductions made from the payroll of the participant employees (calculated according to human resources records and pensionable remuneration data) and the employer's contributions, usually by the first quarter of the following year. The revenue is booked in the financial statements on the basis of employee details received at the end of the year. The difference between the revenue booked and the actual receipts is recorded as receivable or payable by the member organizations. The reconciliations are carried out at the end of the year. The flowchart below illustrates the procedure for the reconciliation of contributions between the Fund and member organizations.

Figure II.VII
Procedure of reconciliation of contributions between the Fund and member organizations



Source: United Nations Joint Staff Pension Fund.

125. The Board observed that the process of the reconciliation of contributions submitted by member organizations to the Fund was carried out only after the preparation of the financial statements. Hence, the financial statements have been prepared without incorporating the results of the reconciliation exercise.

126. The Board also noted that the Fund had been able to review 20.32 per cent of participant reconciliation exceptions in 2012-2014. Thus, 79.68 per cent of participant reconciliation exceptions in the amount of $13.68 million, $12.48 million and $13.83 million in 2012, 2013 and 2014, respectively, were left unreviewed during the same period. In its report for the previous year, the Board had recommended that the Fund continue to improve controls and the efficiency of the participant reconciliation exception process to ensure that the discrepancies were identified and reconciled with member organizations in a timely manner. However, the number of participant reconciliation exceptions resolved in the successive years was decreasing.

127. The Fund stated that the reconciliation with member organizations for the year 2015 had yet to be carried out and that the letters for 2015 would be sent to the organizations from July 2016. It also stated that participant reconciliation exceptions did not affect the financial statements, given that they were only a supplementary record used for improving the quality of data. The Fund further stated that the start date of the project to integrate monthly contribution data into IPAS was still to be determined.

128. The Board considers that any adjustments carried out to reconcile the differences would have a direct impact on the financial statements.

129. **The Board recommends that participant reconciliation exceptions need to be resolved in a time-bound manner in order to avoid any dispute with the participating organizations and to ensure that up-to-date and accurate financial statements can be prepared for the Fund and the participating organizations.**

6. Miscellaneous issues

Anti-fraud policy of the Investment Management Division

130. The Pension Fund management is responsible for the prevention and detection of fraud, corruption and other irregularities. To that end, the establishment of an anti-fraud policy that facilitates the development of controls that would aid in the prevention, detection and reporting of fraud (corruption) and other irregularities against the Fund is required.

131. The Fund informed the Board that the Investment Management Division had drafted a formal anti-fraud policy to reinforce and promote appropriate behaviour within the Division. The draft policy had been reviewed by the Ethics Office, the Office of Human Resources Management and the Audit Committee of the Pension Board. The draft policy was now being assessed by the Office of Legal Affairs of the Secretariat. Once formally approved, it would be an essential component in moderating the risk of fraud within the Investment Management Division.

132. **The Board recommends that the Fund: (a) finalize the anti-fraud policy at the earliest opportunity; and (b) widely circulate the policy and make staff aware of its provisions and implications.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

133. The Fund informed the Board that there was no write-off of losses of cash, receivables and property in the year 2015.

2. Ex gratia payments

134. The Fund reported that it had not made any ex gratia payments to the staff of the Fund during the year ended 31 December 2015.

3. Cases of fraud and presumptive fraud

135. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

136. During the audit, the Board made enquiries regarding the oversight responsibility of management for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management had identified or that had been brought to its

attention. In addition, the Board enquired whether the Fund had any knowledge of any actual, suspected or alleged fraud; it also made enquiries of OIOS in that regard. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

137. The Fund reported that there were no cases of fraud or presumptive fraud that related to the staff of the Fund during the year ended 31 December 2015.

D. Acknowledgement

138. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Chief Executive Officer of the Fund and the Representative of the Secretary-General for the investment of the assets of the Fund and the members of their staff.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General
United Kingdom of Great Britain and Northern Ireland

19 September 2016

Annex

Status of implementation of outstanding recommendations as at 31 December 2014

General Assembly session/ paragraph	*Summary of recommendation*	*Action reported by management*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/69/9, annex X, para. 19	The Board recommends that the Fund closely collaborate with member organizations to ensure that those organizations submit contribution data in a timely manner, and keep in close communication with the actuarial service provider to ensure that the actuarial report could be produced and included in the formal financial statements in a timely manner.	The implementation of a new enterprise resource planning system in the Fund's member organizations delayed the finalization of the financial statements of those organizations. Delays in the submission of participant-level information to the Fund also delayed the completion of the actuarial valuation for the year ending 2015. Thus, the actuarial valuation as at 31 December 2013 was included in the Fund's financial statements for the year ended 31 December 2015, given that the consulting actuary could begin the actuarial valuation only upon the completion of the Fund's financial statements. The actuarial valuation as at 31 December 2015 will be incorporated into the Fund's financial statements for 2016.	This recommendation was not implemented.			X	
A/69/9, annex X, para. 47	The secretariat of the Fund agreed with the Board's reiterated recommendation to: (a) continue to improve controls and efficiency of the participant reconciliation exception process to ensure the discrepancies are identified and reconciled with member organizations in a timely manner; and (b) prepare monthly and year-end contribution reconciliations to ensure the accuracy of the contributions and receivables recorded in pension system and financial statements.	The Fund will complete the implementation of the project in respect of the monthly reconciliation of contributions, which was approved in the budget for the 2016-2017 biennium. Project requirements are currently in the draft stage, with the expectation that the project will be completed, for some member organizations, by the fourth quarter of 2017.	This recommendation was under implementation.		X		

General Assembly session/ paragraph	*Summary of recommendation*	*Action reported by management*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/69/9, annex X, para. 51	The secretariat of the Fund agreed with the Board's recommendation to: (a) utilize and promote the online self-service as an additional tool in the certificate of entitlement process along with the smooth implementation of IPAS; and (b) consider establishing a practical plan to develop an automatic signature verification system or thumbprint/live image verification system to facilitate the certificate of entitlement process.	The Fund's member self-service was launched on 31 August 2016. Member self-service enables Fund beneficiaries to monitor when the Fund received their 2016 certificate of entitlement. In addition, beneficiaries who are in the "dollar track" will be able to download the certificate of entitlement form from member self-service; The Fund will continue exploring opportunities to enhance the certificate of entitlement process.	This recommendation was under implementation.		X		
A/70/325, annex VI, chap. II, para. 22	Disclose its usage of two different exchange rates for translating non-United States dollar-denominated currency transactions during the year.	Disclosure was added to the footnotes.	This recommendation was implemented.	X			
A/70/325, annex VI, chap. II, para. 30	Expedite the introduction of the counterparty settlement system in a time-bound manner.	The Fund takes note of this observation and is aware of the foreign exchange settlement risk that could occur with direct settlement with the counterparties. As stated in this audit observation, owing to the dual custodian model, the possibility of settling foreign exchange transactions through CLS is limited. However, the Fund believes that its internal control for foreign exchange settlement procedures is adequate to mitigate the foreign exchange settlement risk. Historically, the Fund has never lost any principal in foreign exchange deals. If a counterparty failed to deliver the funds on the settlement date, the funds were nevertheless received within a reasonable time frame and the counterparty settled any compensation claims issued to it by the Fund. It is important to note that,	This recommendation was under implementation.		X		

General Assembly session/ paragraph	*Summary of recommendation*	*Action reported by management*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		presently, the majority of foreign exchange trades executed at the Fund within a single day are done for a single currency (for example, Swiss franc, euro, Swedish krona and Norwegian krone against the United States dollar). Therefore, the benefits of multilateral netting that CLS offers in making one net payment per currency each day can be realized for United States dollar currency only. The rest of the currencies will continue to settle in gross because of the small volume of foreign exchange transactions. The Fund aims to promote CLS settlement (or its equivalent) for CLS-eligible currencies as soon as its custodian model has changed to one global custodian bank structure. Only at that time will the Fund be able to revisit this audit recommendation. Since the go-live date of Bloomberg AIM on 18 January 2016, the Fund has been using "MT 304 messages — advice/ instruction of a third-party deal" to instruct foreign exchange transactions to the custodian banks. As such, the Fund is working to implement CLS settlement in the second phase of the implementation of Bloomberg AIM, which is scheduled to be completed by the third quarter of 2016. Partial implementation of the Northern Trust side commenced in March 2016 and full implementation is expected in October 2016.					
A/70/325, annex VI, chap. II, para. 35	Explore alternatives to mitigate the foreign exchange losses, including a detailed cost-benefit study for a suitable hedging strategy.	The Fund has evaluated various alternatives to its existing practice. The hedging of currency risk was taken into account in 2015 and was not utilized recognizing the zero sum-game	This recommendation was not implemented.			X	

General Assembly session/ paragraph	*Summary of recommendation*	*Action reported by management*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		representation over time. A formal research abstract of this is under consideration.					
A/70/325, annex VI, chap. II, para 41	Take steps to achieve the policy benchmarks on each portfolio by improving its internal investment processes and practices and endeavour to achieve the overall minimal real return of 3.5 per cent.	The investment policy statement has been revised to reflect the strategic asset allocation, adopted on 1 August 2015, based on the most recent assets and liability management study. Consequently, the tracking risk budget of the Fund was updated as at 1 January 2016. The updated versions of the revised investment policy statement and the tracking risk budget have been discussed with the Investments Committee.	This recommendation was under implementation.		X		
A/70/325, annex VI, chap. II, para. 48	The Board reiterates that the Fund continue to reconcile and resolve all participant reconciliation exceptions with member organizations in a timely manner. Until such time as a system is implemented to enable monthly reconciliations, the Fund may consider including a suitable disclosure in the financial statements on the quantum of unresolved participant reconciliation exceptions.	The Fund will gradually migrate to a monthly process of contribution reporting through an improved data integrity process and will implement new procedures to conduct spot checks on sample records and perform trend analysis and analysis of variances to ensure adherence to the Fund's regulations and rules. The participant reconciliation exception process is mainly a data clean-up exercise that does not impact the financial statements. The Fund reiterates that a disclosure of the participant reconciliation exceptions may mislead the readers of the financial statements, given that most discrepancies identified relate to participant (human resources) records and not to actual contribution discrepancies.	This recommendation was under implementation.		X		

General Assembly session/ paragraph	*Summary of recommendation*	*Action reported by management*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/70/325, annex VI, chap. II, para. 53	Ensure adherence to the stipulated benchmark for the processing of benefits through improvements in efficiencies and use of information technology enabled services, since service to its members is the primary function of the Fund.	Following its go-live in August 2015, the IPAS system is currently in the post-implementation/stabilization phase. Accordingly, performance is measured by: (a) ability to reduce/eliminate any remaining backlog; and (b) ability to process new cases. These performance indicators will not be formalized until the post-implementation phase is complete and the process is stabilized.	This recommendation was under implementation.		X		
A/70/325, annex VI, chap. II, para. 57	(a) Improve the benefit payment system by consolidating all payments due to the beneficiary and making a single payment; and (b) ensure effective pursuance of overpayments to ensure their recovery.	(a) Currently, 1,214 beneficiaries receive multiple payments (owing to different benefits). According to the Fund's administrative rules, each benefit is considered a separate entitlement and is paid according to the retiree's instructions (which may include different bank accounts, currencies or United States dollar-track or two-track system). The implementation of this recommendation has practical and regulatory limitations, given that it cannot be implemented without specific instructions/acceptance from beneficiaries; (b) The Fund secretariat has appropriate mechanisms in place to identify, track and recover potential overpayments, which require the participation of different units.	(a) Fund's reply accepted; (b) This recommendation was implemented.	X			
A/70/325, annex VI, chap. II, para. 65	(a) Formulate a holistic policy for the strategic planning, governance and management of various information technology projects required or under implementation; and (b) take proactive measures to expedite the procurement of the replacement for the existing trade order management system and restrict additional expenditure on interim measures.	(a) A presentation on this matter was prepared for the July 2016 Pension Board meeting; (b) the Bloomberg AIM trade order management system was successfully implemented on 18 January 2016 and the Charles River trade order management system was effectively decommissioned.	This recommendation was under implementation.		X		

General Assembly session/ paragraph	*Summary of recommendation*	*Action reported by management*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/70/325, annex VI, chap. II, para. 74	Address all outstanding issues relating to implementation, including timely completion of data testing and parallel run.	IPAS went live in August 2015. The Fund's member self-service went live on 31 August 2016. Member self-service enables members of the Fund to access their documents and personal pension data directly.	This recommendation was implemented.	X			
	Total	**12**		**3**	**7**	**2**	
	Percentage	**100**		**25**	**58.33**	**16.67**	

Chapter III
Certification of the financial statements

Letter dated 8 July 2016 from the Chief Financial Officer, a.i., addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2015 have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board. The summary of significant accounting policies applied in the preparation of the financial statements is included in the notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Fund during the period covered by these statements.

I certify that the appended financial statements of the United Nations Joint Staff Pension Fund are correct.

(*Signed*) Dennis D. **Liberatore**
Chief Financial Officer, a.i.
United Nations Joint Staff Pension Fund

Statement of internal control for the year ended 31 December 2015

Scope of responsibility

The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple employer, defined benefit plan and is governed by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee.

As at 31 December 2015, the total assets of the Fund were approximately $52.4 billion. The market value of the Fund's investments, as defined by IPSAS, was $50.7 billion, accounting for 97 per cent of the total assets of the Fund. In 2015, the annual contributions to the Fund amounted to $2.26 billion, while the periodic benefit payments by the Fund exceeded this and amounted to $2.36 billion. Benefit payments are made in 15 currencies in approximately 190 countries.

The Chief Executive Officer of the Fund, who is also the Secretary of the Pension Board, discharges the Board's responsibility for the administrative supervision of the Fund secretariat. The Chief Executive Officer, under the authority of the Board, collects contributions, ensures record keeping for the Fund secretariat, certifies benefit payments and handles other matters related to the Fund's participants and beneficiaries. The Chief Executive Officer is also responsible for ensuring actuarial matters are addressed with a view to maintaining the long-term sustainability and financial health of the Fund.

The investment of the assets of the Fund is the responsibility of the Secretary-General. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund. The Representative's delegated authority includes responsibility for the management and accounting of the investments of the Fund. The Representative exercises this duty and makes investment decisions after consultation with the Investments Committee and in the light of observations made from time to time by the Pension Board on investment policy.

The Chief Executive Officer and the Representative of the Secretary-General are responsible for establishing and maintaining a sound system of internal controls, in their respective areas of responsibility, to ensure the accomplishment of objectives, the economic use of resources, the reliability and integrity of information, compliance with rules and regulations and the safeguarding of assets.

Since the Pension Fund utilizes the United Nations Secretariat machinery for its human resources, administrative and procurement functions, the internal controls related to these functions follow the applicable United Nations regulations and rules. In addition, the responsibility for the execution of these functions is shared with the United Nations Secretariat. The Fund is therefore responsible for the application and observance of the internal control procedures defined by the United Nations in the activities under its responsibility.

Purpose of the system of internal control

The system of internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the objectives of the Fund and to improve performance. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. Internal control is an ongoing process, effected by the Fund's governing bodies, senior management and other personnel, designed to provide reasonable assurance concerning the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable rules and regulations

The Pension Fund statement of internal control is related to the internal control objective of reliability of financial reporting and, therefore, its scope is limited to the review of internal controls over financial reporting as at the date of the statement and for the year ended 31 December 2015.

Capacity to handle risk

The Pension Fund has implemented a governance structure, management process and internal and external oversight mechanisms to identify, assess, manage, monitor and report the risks inherent to its operations. The enterprise-wide risk management framework adopted by the Fund reflects the nature of its operations and development as well as its specific requirements.

The Pension Fund internal control policy approved in May 2014 defines internal control objectives, components and responsibilities, as well as the lines of defence in terms of internal control which include: (a) management; (b) risk management and compliance sections; (c) internal audit; and (d) external audit. The Fund's internal controls over financial reporting are designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and authorized and that there are no material misstatements in the financial statements.

Pension Fund risk management and internal control framework

The purpose of the enterprise-wide risk management framework is to identify events that may affect the Pension Fund and to manage risk. The Fund's risk management framework includes the following components:

- *Risk management governance*. The operation of the risk management framework is supported by the full ownership and accountability of the Pension Board, management and staff for risk management activities. Specialized committees conduct oversight and provide advice to the Pension Board on risk management and internal control, as follows:
  - The Audit Committee oversees the work of internal and external auditors and receives information on the operation of the risk management and internal control framework;

  - The Assets and Liabilities Monitoring Committee advises the Board on risk management, funding policy, asset-liability management and investment policy matters.

- *Enterprise-wide risk management policy*. The policy provides the basis for the operation of the risk management framework and specifies its applicability throughout the Fund. The enterprise-wide risk management methodology complements the policy and defines the steps, roles and responsibilities in the risk management process.

- *Enterprise-wide risk assessment*. The Fund retains the services of independent consulting firms to prepare risk assessment reports every three years. Annual risk assessments are conducted by the Fund's management. Periodic risk assessment exercises serve as a basis for defining strategies to address the Fund's key risks.

- *Risk monitoring*. The Enterprise-wide Risk Management Working Group, chaired by the Fund's Chief Executive Officer and the Representative of the Secretary-General, includes representatives from all Pension Fund units and monitors the Fund's risk profile and the implementation of risk management strategies. Risk management officers in the Fund secretariat and the Investment Management Division promote the implementation of the enterprise-wide risk management framework, facilitate risk assessments, advise in the implementation of risk management strategies and monitor and report on the Fund's risk profile.

Review of internal controls over financial reporting

The Fund has taken the "Internal control-integrated framework" of the Committee of Sponsoring Organizations of the Treadway Commission as a guideline for assessing its internal controls over financial reporting. The review by the Fund management of the internal controls over financial reporting as at 31 December 2015 was informed by the following:

- The preparation of the statement of internal control involved:

  - A scoping process to identify key processes, accounts and disclosures and their supporting key information and communications technology (ICT) services;

  - Identification of key financial reporting risks;

  - Identification and evaluation of: (a) entity level controls, (b) key controls over financial reporting, and (c) key ICT general controls that support the financial reporting;

  - Review of the results of assurance activities conducted for the Fund.

- The Pension Fund 2015 procedures did not include testing operating effectiveness of the internal controls by management. Going forward, the internal control programme will also include testing of the operating effectiveness of the key internal controls over financial reporting.

- Assertion letters related to the internal controls over financial reporting are signed by senior managers and key officers in the Fund secretariat and the Investment Management Division. These officers recognize their responsibility for maintaining and executing internal controls over financial reporting and reporting any deficiencies identified. Assertion letters signed by key officers did not contain any information that would have a significant adverse effect on the financial statements or would need to be reported in the present statement of internal control.

- An independent service auditor was engaged to perform an independent service audit on the control applied by Northern Trust, the master record keeper for the Fund's investments and one of the two custodian banks for the investments of the Fund, and by Citibank NA, the other custodian bank for the investments of the Fund. The audits were conducted in accordance with the standards defined by the American Institute of Certified Public Accountants and the International Auditing and Assurance Standards Board. Both audits concluded that, in all material respects, the controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved.

- An independent assurance provider was engaged to assess the effectiveness of managing information security risks of the new Integrated Pension Administration System (IPAS), following the protocols defined by the International Organization for Standardization (ISO). In April 2016, the Fund secretariat obtained the ISO 27001 certification for IPAS, which provides assurances that the new system's operations and maintenance are in accordance with the information security management standard. The Fund secretariat is committed to maintaining the ISO 27001 certification, which is valid through March 2019.

- Independent auditors performed an International Standard Assurance Engagements audit ISAE 3402 of the United Nations International Computing Centre internal control framework. The ISAE 3402 audit report provides an independent assessment of whether the Centre's controls are suitably designed and effectively operated. The ISAE 3402 audit report's conclusion is an unqualified opinion, as the auditors did not observe evidence that the controls tested did not operate effectively during the period under review.

- The Audit Committee monitored the work of internal and external auditors and reviewed the results of audit examinations and the implementation of audit recommendations. The Representative of the Secretary-General and the Fund's Chief Executive Officer, Chief Financial Officer, Risk and Compliance Officers and internal and external auditors had periodic meetings with the Audit Committee.

- In accordance to its mandate, the Office of Internal Oversight Services, in the execution of a risk-based audit plan approved by the Audit Committee, conducted audit examinations in high-risk areas to provide assurance on the effectiveness of internal controls and identify control deficiencies. The Chief Executive Officer and the Representative of the Secretary-General, in their respective areas of responsibility, took appropriate actions to address recommendations resulting from internal audits. The Fund has no outstanding critical audit recommendations.

- In accordance with its mandate, the Board of Auditors, as the external auditors of the Pension Fund, examines independently the financial statements, performing such tests and other procedures as the auditors consider necessary to express an opinion in their annual audit report. The external auditors are given full and unrestricted access to all financial records and related data and to the Fund's management and Audit Committee to discuss any findings related to the integrity and reliability of the Fund's financial reporting. The external audit report accompanies the financial statements.

Significant internal control matters arising during the year

The statement of internal control for the year ended 31 December 2015 draws attention to key events having an impact on internal controls over financial reporting, as follows:

(a) During 2015, the Fund's management introduced further refinements to its enterprise-wide risk management framework, including the update to the enterprise-wide risk management policy and methodology and enhancements in the process for the preparation of the statement of internal control. The updated enterprise-wide risk management policy was approved by the Pension Board on 15 April 2016;

(b) In April 2015, the Fund secretariat issued its policy on pension fraud awareness, reporting and escalation to promote awareness, prevent fraud, enhance the Fund's internal controls and establish guidelines on reporting and escalation of fraud-related concerns. The policy establishes that the Pension Fund has zero tolerance for fraud, which implies that all fraud concerns will be reported and investigated and corrective actions taken when needed;

(c) The new IPAS was introduced in August 2015 mainly to repair process fragmentation, integrate several outdated and piecemeal programs and establish the foundation for future improvements. A controlled and fully tested transition to IPAS ensured that 72,000 existing retirees and beneficiaries residing in approximately 190 countries continue to receive their pension benefits accurately, on time and without interruption. With the implementation of IPAS completed, the Fund will focus on the second phase of modernizing processes for further productivity and to offer a wider range of services;

(d) Following IPAS implementation, the Fund has achieved an increased benefit-processing rate significantly above the long-term average under the legacy systems. However, the rapid and significant increase in the volume of separations required the Fund to take actions to create additional capacity. These actions included measures to enhance productivity and efficiency through the allocation of additional resources and continued process improvements, close liaison with human resources and finance offices of employing organizations for the submission of separation data for the processing of benefit entitlements, and the establishment of a quality assurance team to provide immediate feedback on the separation documents. Considering the multi-employer nature of the Fund, the diversity of its more than 80 reporting entities and its unique governance framework, the Fund will promote an end-to-end review of the separation-to-benefit process (involving the Fund and its member organizations) to identify further streamlining measures.

Statement

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error or circumvention. Accordingly, even effective internal controls can provide only reasonable but not absolute assurance. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

We are committed, within the scope of our respective areas of responsibility, to address any weaknesses in internal controls over financial reporting identified during the year and to ensure continuous improvement of internal controls.

Based on the above, we conclude that to our best knowledge and information there are no material weaknesses in internal controls over financial reporting, in our respective areas of responsibility, which would need to be raised in the present document for the year ended 31 December 2015.

(*Signed*) Sergio B. **Arvizú**
Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) **Carolyn Boykin**
Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund

3 June 2016
New York

Chapter IV
Financial report for the year ended 31 December 2015

A. Introduction

1. The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple employer, defined benefit plan. There are currently 23 member organizations participating in the Fund. All participating organizations and employees contribute to the Fund based on pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers.

2. The Fund is governed by the United Nations Joint Staff Pension Board made up of: (a) 12 members appointed by the United Nations Staff Pension Committee, four of whom are from the members and alternate members elected by the General Assembly, four from those appointed by the Secretary-General, and four from those elected by the participants in service in the United Nations; and (b) 21 members appointed by the staff pension committees of the other member organizations in accordance with the Rules of Procedure of the Fund, seven of whom are from the members and alternate members chosen by the bodies of the member organizations corresponding to the General Assembly, seven from those appointed by the chief administrative officers of the member organizations and seven from those chosen by the participants in service.

3. The Fund is administered by the Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee. The Chief Executive Officer of the Fund also serves as the Secretary of the Pension Board. The Secretary/Chief Executive Officer is appointed by the Secretary-General on the recommendation of the Pension Board.

4. The Chief Executive Officer is responsible for the administration of the Fund and for the observance, by all concerned, of the Fund's Regulations and Rules and the pension adjustment system. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; representing the Board at meetings of the Fifth Committee of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the International Civil Service Commission and any other pertinent bodies; and serving as Secretary of the United Nations Staff Pension Committee. The Chief Executive Officer is also responsible for providing a range of administrative functions to support the Investment Management Division.

5. The management of the investments of the Fund is the fiduciary responsibility of the Secretary-General, in consultation with an Investments Committee. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the investment of the

assets of the Fund. The Representative of the Secretary-General is responsible for arranging for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board.

6. The Integrated Pension Administration System (IPAS) went live on 1 August 2015 and has replaced several of the aging information technology systems, including the United Nations Joint Staff Pension Fund Administration System (PENSYS) and the Lawson accounting system.

B. Financial performance

Changes in net assets available for benefits

7. There was a decrease in the net assets available for benefits for the year ended 31 December 2015 of $619.2 million (2014: surplus of $1.4 billion). This decrease of $2.0 billion (or 143.7 per cent) is largely attributable to the investment loss for the year.

8. The investment loss for 2015 was $458 million (2014: gain of $1.7 billion), mainly made up of foreign currency losses of $1.5 billion offset by dividend income of $778 million and interest income of $356 million. The decrease of $2.1 billion (or 127.6 per cent) from the prior year was largely driven by the decrease in the fair value of equities.

9. Total contributions (from participants: $751 million, member organizations: $1,496 million, and other: $9.8 million) for 2015 were $2.257 billion (2014: $2.264 billion), reflecting a decrease of $7.1 million (or of 0.3 per cent).

10. Benefit payments for 2015 of $2.361 billion (2014: $2.422 billion), reflected a decrease of $60.8 million (or 2.5 per cent) over the 2014 benefit payments.

11. Administrative expenses for 2015 amounted to $56.7 million (2014: $83.3 million), reflected a decrease of $26.7 million (or 32.0 per cent). The decrease in administrative expense was primarily due to a change in the actuarial value of the after-service health insurance from an expense of $17.5 million in 2014 to a gain of $5.6 million in 2015.

Statement of net assets available for benefits

12. Net assets available for benefits at 31 December 2015 were $52.264 billion (2014: $52.883 billion), which is a decrease of $616.2 million (or 1.2 per cent).

13. Total Fund cash and cash equivalents at 31 December 2015 were $1.5 billion (2014: $2.1 billion), which is a decrease of $623 million (or 29.5 per cent).

14. Total investments of the Fund at fair value at 31 December 2015 were $50.702 billion (2014: $50.735 billion) reflecting a decrease of $33.1 million (or 0.1 per cent). Details of the investment classes at 31 December 2015 and 2014 are as follows:

(Millions of United States dollars)

	31 December 2015	*31 December 2014*	*Change*	*Percentage*
Short-term investments	535	–	535	–
Equities	32 501	33 617	(1 116)	(3.3)
Fixed income	12 485	12 830	(345)	(2.7)
Real asset investments	3 315	2 764	551	19.9
Alternative and other investments	1 866	1 524	342	22.4
Total	**50 702**	**50 735**	**(33)**	**(0.1)**

15. Total liabilities of the Fund at 31 December 2015 were $183.4 million (2014: $217.4 million) a decrease of $34.0 million (or 15.6 per cent).

Actuarial situation of the Fund

16. The actuarial present value of accumulated (promised) plan benefits (which does not take into account future increases in pensionable remuneration) is determined by independent actuaries. The amount is derived by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

17. The actuarial present value of accumulated plan benefits as at 31 December 2015 is as follows:

(Millions of United States dollars)

	If future pension payments are made:	
	Under the regulations without pension adjustments	*Under the regulations with pension adjustments*
Actuarial value of vested benefits		
Participants currently receiving benefits	22 941.3	32 839.4
Vested terminated participants	238.8	411.6
Active participants	12 637.9	18 694.8
Total vested benefits	**35 818.0**	**51 945.8**
Non-vested benefits	1 279.2	1 589.5
Total actuarial present value of accumulated plan benefits	**37 097.2**	**53 535.3**

Key statistics

18. The number of Fund participants at 31 December 2015 was 126,892 (2014: 122,759), an increase of 4,133, or 3.4 per cent.

19. The number of periodic benefits paid by the Fund at 31 December 2015 was 71,474 (2014: 72,367), a decrease of 893. The decrease includes 1,826 pre-IPAS discontinued benefits that were not finalized in the Fund's legacy system. These discontinued benefits were recognized upon the IPAS conversion in 2015 under the new approach of identifying such cases immediately at discontinuation of the benefits. Without the effect of these adjustments, the total number of periodic benefits increased by 1.3 per cent for the year ended 31 December 2015.

Chapter V
Financial statements for the year ended 31 December 2015

United Nations Joint Staff Pension Fund

I. Statement of net assets available for benefits as at 31 December 2014 and 31 December 2015

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014*
Assets			
Cash and cash equivalents	Note 4	1 488 132	2 110 884
Investments	Note 5, 6		
Short-term investments		534 952	–
Equities		32 501 344	33 616 919
Fixed income		12 485 103	12 830 186
Real assets		3 315 119	2 764 409
Alternative and other investments		1 865 629	1 523 766
		50 702 147	**50 735 280**
Contributions receivable		42 797	39 283
Accrued income from investments	Note 7	147 836	155 645
Receivable from investments traded	Note 5	16 396	16 319
Withholding tax receivable	Note 8	12 604	8 782
Other assets	Note 9	40 329	34 646
Total assets		**52 450 241**	**53 100 839**
Liabilities			
Benefits payable	Note 10	89 594	68 691
Payable from investments traded	Note 5	10 796	44 710
After-service health insurance and other employee benefit liabilities	Note 11	70 358	76 992
Other accruals and liabilities	Note 12	12 638	26 962
Total liabilities		**183 386**	**217 355**
Net assets available for benefits		**52 266 855**	**52 883 484**

United Nations Joint Staff Pension Fund

II. Statement of changes in net assets available for benefits

(Thousands of United States dollars)

	Reference	*2015*	*2014*
Investment (loss)/income	Note 13		
Net (depreciation)/appreciation in fair value of investments		(18 126)	2 488 067
Interest income		355 553	375 093
Dividend income		777 863	845 069
Income from real assets		38 302	30 642
Foreign currency (losses)		(1 487 401)	(1 955 144)
Less: transaction costs and management fees		(124 454)	(124 904)
		(458 263)	**1 658 823**
Contributions	Note 14		
From participants		751 139	756 591
From member organization		1 496 003	1 503 298
Other contributions		9 835	4 181
		2 256 977	**2 264 070**
Other income	Note 15	8 531	1 932
Benefit payments	Note 16		
From withdrawal settlements and full commutation benefits		138 951	121 013
From retirements benefits		2 222 419	2 300 547
Other benefits/adjustments		(239)	325
		2 361 131	**2 421 885**
Administrative expenses	Note 17	56 669	83 321
Other expenses	Note 18	3 217	3 865
Withholding tax expense		2 857	5 024
(Decrease)/increase in net assets available for benefits		**(616 629)**	**1 410 730**

United Nations Joint Staff Pension Fund

III. Cash flow statement

(Thousands of United States dollars)

	Reference	*2015*	*2014*
Cash flows from investing activities			
Purchase of investments		(10 826 284)	(12 629 689)
Proceeds from sale/redemption of investments		9 425 889	11 922 982
Dividends received from equity investments, excluding withholding tax		750 447	813 031
Interest received from fixed income investments		366 155	389 852
Income received from unitized real asset funds, excluding withholding tax		37 997	30 969
Other income received/(losses incurred), net		5 852	(784)
Transaction costs, management fees and other expenses paid		(126 129)	(125 587)
Withholding taxes reimbursement, net		17 249	21 709
Net cash (used)/provided by investing activities		**(348 824)**	**422 483**
Cash flows from operating activities			
Contribution from member organizations and participants		2 251 681	2 255 115
Benefits payments		(2 345 701)	(2 412 976)
Net transfer to/from other plans		1 641	3 003
Administrative expenses paid		(78 828)	(66 836)
Other payments, net		(1 197)	(518)
Net cash used by operating activities		**(172 404)**	**(222 212)**
Net (decrease)/increase in cash and cash equivalents		(521 228)	200 271
Cash and cash equivalents at the beginning of year	Note 4	2 110 884	2 005 890
Exchange (losses) on cash and cash equivalents		(101 524)	(95 277)
Cash and cash equivalents at the end of year	**Note 4**	**1 488 132**	**2 110 884**

Schedules

United Nations Joint Staff Pension Fund

Schedule A
Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2014-2015

(Thousands of United States dollars)

	Initial appropriation 2014-2015			*Final appropriation 2014-2015*			*Actuals on a comparable basis 2014-2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. Secretariat administrative expenses													
Established posts	30 149.3	12 946.5	43 095.8	30 597.0	13 229.7	43 826.7	29 393.1	12 864.1	42 257.2	(1 203.9)	(365.6)	(1 569.5)	(4)
Other staff costs	4 048.8	975.6	5 024.4	4 780.2	1 192.3	5 972.5	4 059.8	1 018.5	5 078.3	(720.4)	(173.8)	(894.2)	(15)
Consultants	843.0	–	843.0	485.3	–	485.3	348.8	–	348.8	(136.5)	–	(136.5)	(28)
Travel of staff	788.6	–	788.6	704.7	–	704.7	604.8	–	604.8	(99.9)	–	(99.9)	(14)
Travel of Committee of Actuaries and Audit Committee	568.9	–	568.9	568.9	–	568.9	347.7	–	347.7	(221.2)	–	(221.2)	(39)
Travel	**1 357.5**	**–**	**1 357.5**	**1 273.6**	**–**	**1 273.6**	**952.5**	**–**	**952.5**	**(321.1)**	**–**	**(321.1)**	**(25)**
Training	346.8	–	346.8	146.8	–	146.8	164.5	–	164.5	17.7	–	17.7	12
United Nations International Computing Centre services	10 445.0	1 907.5	12 352.5	11 445.0	1 907.5	13 352.5	10 230.9	2 277.1	12 508.0	(1 214.1)	369.6	(844.5)	(6)
Contractual services	9 533.7	1 041.8	10 575.5	12 312.1	1 004.0	13 316.1	11 966.1	455.5	12 421.6	(346.0)	(548.5)	(894.5)	(7)
Contractual services	**19 978.7**	**2 949.3**	**22 928.0**	**23 757.1**	**2 911.5**	**26 668.6**	**22 197.0**	**2 732.6**	**24 929.6**	**(1 560.1)**	**(178.9)**	**(1 739.0)**	**(7)**
Hospitality	4.2	–	4.2	4.2	–	4.2	1.4	–	1.4	(2.8)	–	(2.8)	(67)
Rental and maintenance of premises	7 185.3	3 445.5	10 630.8	7 185.0	3 445.5	10 630.5	6 125.1	3 060.0	9 185.1	(1 059.9)	(385.5)	(1 445.4)	(14)
Rental and maintenance of equipment	76.7	–	76.7	76.8	–	76.8	63.5	–	63.5	(13.3)	–	(13.3)	(17)
Communications services	1 175.1	–	1 175.1	850.1	–	850.1	385.2	–	385.2	(464.9)	–	(464.9)	(55)
Operating expenses	411.6	8.6	420.2	394.2	–	394.2	457.5	–	457.5	63.3	–	63.3	16
Bank charges	3 099.0	–	3 099.0	2 099.0	–	2 099.0	1 754.0	–	1 754.0	(345.0)	–	(345.0)	(16)
General operating expenses	**11 947.7**	**3 454.1**	**15 401.8**	**10 605.1**	**3 445.5**	**14 050.6**	**8 785.3**	**3 060.0**	**11 845.3**	**(1 819.8)**	**(385.5)**	**(2 205.3)**	**(16)**
Supplies and materials	139.4	69.7	209.1	141.1	77.0	218.1	113.6	35.9	149.5	(27.5)	(41.1)	(68.6)	(31)
Furniture and equipment	1 284.1	505.5	1 789.6	794.0	328.1	1 122.1	796.5	266.3	1 062.8	2.5	(61.8)	(59.3)	(5)
Supplies, furniture and equipment	**1 423.5**	**575.2**	**1 998.7**	**935.1**	**405.1**	**1 340.2**	**910.1**	**302.2**	**1 212.3**	**(25.0)**	**(102.9)**	**(127.9)**	**(10)**
Total	**70 099.5**	**20 900.7**	**91 000.2**	**72 584.4**	**21 184.1**	**93 768.5**	**66 812.5**	**19 977.4**	**86 789.9**	**(5 771.9)**	**(1 206.7)**	**(6 978.6)**	**(7)**

Schedule A
Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2014-2015 (continued)

(Thousands of United States dollars)

	Initial appropriation 2014-2015			*Final appropriation 2014-2015*			*Actuals on a comparable basis 2014-2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
B. Investment administrative expenses													
Established posts	22 095.0	–	22 095.0	21 095.0	–	21 095.0	19 424.5	–	19 424.5	(1 670.5)	–	(1 670.5)	(8)
Other staff costs	1 960.7	–	1 960.7	1 876.5	–	1 876.5	1 199.6	–	1 199.6	(676.9)	–	(676.9)	(36)
Consultants	1 491.6	–	1 491.6	793.3	–	793.3	756.0	–	756.0	(37.3)	–	(37.3)	(5)
Travel of staff	1 524.5	–	1 524.5	921.0	–	921.0	853.9	–	853.9	(67.1)	–	(67.1)	(7)
Travel of Investment Committee	668.0	–	668.0	447.7	–	447.7	315.2	–	315.2	(132.5)	–	(132.5)	(30)
Travel	**2 192.5**	**–**	**2 192.5**	**1 368.7**	**–**	**1 368.7**	**1 169.1**	**–**	**1 169.1**	**(199.6)**	**–**	**(199.6)**	**(15)**
Training	586.1	–	586.1	284.0	–	284.0	95.0	–	95.0	(189.0)	–	(189.0)	(67)
Electronic data processing and other contractual services	14 174.1	–	14 174.1	13 597.8	–	13 597.8	9 155.3	–	9 155.3	(4 442.5)	–	(4 442.5)	(33)
External legal consultants	3 133.5	–	3 133.5	3 133.4	–	3 133.4	1 440.4	–	1 440.4	(1 693.0)	–	(1 693.0)	(54)
Advisory and custodial services	29 854.7	–	29 854.7	26 795.8	–	26 795.8	22 571.0	–	22 571.0	(4 224.8)	–	(4 224.8)	(16)
Contractual services	**47 162.3**	**–**	**47 162.3**	**43 527.0**	**–**	**43 527.0**	**33 166.7**	**–**	**33 166.7**	**(10 360.3)**	**–**	**(10 360.3)**	**(24)**
Hospitality	24.5	–	24.5	44.5	–	44.5	21.6	–	21.6	(22.9)	–	(22.9)	(51)
Rental and maintenance of premises	6 043.5	–	6 043.5	8 065.9	–	8 065.9	7 686.0	–	7 686.0	(379.9)	–	(379.9)	(5)
Rental and maintenance of equipment	26.4	–	26.4	26.4	–	26.4	14.2	–	14.2	(12.2)	–	(12.2)	(46)
Communications services	255.5	–	255.5	255.5	–	255.5	165.1	–	165.1	(90.4)	–	(90.4)	(35)
Operating expenses	751.0	–	751.0	1 437.1	–	1 437.1	621.0	–	621.0	(816.1)	–	(816.1)	(57)
General operating expenses	**7 076.4**	**–**	**7 076.4**	**9 784.9**	**–**	**9 784.9**	**8 486.3**	**–**	**8 486.3**	**(1 298.6)**	**–**	**(1 298.6)**	**(13)**
Supplies and materials	177.9	–	177.9	177.9	–	177.9	81.3	–	81.3	(96.6)	–	(96.6)	(54)
Furniture and equipment	946.6	–	946.6	946.7	–	946.7	586.1	–	586.1	(360.6)	–	(360.6)	(38)
Supplies, furniture and equipment	**1 124.5**	**–**	**1 124.5**	**1 124.6**	**–**	**1 124.6**	**667.4**	**–**	**667.4**	**(457.2)**	**–**	**(457.2)**	**(41)**
Total	**83 713.6**	**–**	**83 713.6**	**79 898.5**	**–**	**79 898.5**	**64 986.2**	**–**	**64 986.2**	**(14 912.3)**	**–**	**(14 912.3)**	**(19)**

	Initial appropriation 2014-2015			*Final appropriation 2014-2015*			*Actuals on a comparable basis 2014-2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
C. Audit expenses													
External audit	645.5	129.1	774.6	645.5	129.1	774.6	645.5	129.1	774.6	–	–	–	–
Internal audit	1 474.4	294.9	1 769.3	1 417.0	283.4	1 700.4	1 415.0	283.0	1 698.0	(2.0)	(0.4)	(2.4)	–
Total	**2 119.9**	**424.0**	**2 543.9**	**2 062.5**	**412.5**	**2 475.0**	**2 060.5**	**412.1**	**2 472.6**	**(2.0)**	**(0.4)**	**(2.4)**	–
D. Board expenses	408.8	–	408.8	408.8	–	408.8	228.8	–	228.8	(180.0)	–	(180.0)	(44)
Total administrative expenses	**156 341.8**	**21 324.7**	**177 666.5**	**154 954.2**	**21 596.6**	**176 550.8**	**134 088.0**	**20 389.5**	**154 477.5**	**(20 866.2)**	**(1 207.1)**	**(22 073.3)**	**(13)**

The purpose of schedule A is to compare budget to actual amounts for the biennium 2014-2015 on a comparable basis, i.e. actual amounts on the same basis as the budget. As the Pension Fund's budget is prepared on a modified cash basis and the actual costs on a comparable basis are consequently also shown on a modified cash basis, the total for actual costs on a comparable basis does not agree with the administrative expenses shown in the statement of changes in net assets as that statement is prepared on an accrual basis.

Explanation of significant differences (> +/-10 per cent) between budget and actual costs on a comparable basis

Fund secretariat administrative expenses

Other staff costs. The underexpenditure is primarily attributable to a decrease in actual expenditure with respect to general temporary assistance and after-service health insurance costs as compared with the budgeted amount.

Consultants. The underexpenditure relates to the cancellation of a planned consultancy to develop a new Fund-wide operating model in coordination with IPAS and savings in accounting consulting costs as compared with the budgeted amount. In order to economize, the Fund dealt with the issues related to the business operating model by streamlining the work of the Transition Manager in coordination with all business areas.

Travel. The underexpenditure is attributable to lower than anticipated expenditure for travel of the Committee of Actuaries and the Audit Committee, and to the effort to replace some staff travel with videoconferencing and teleconferencing.

Training. The overexpenditure is the result of extensive training activities being undertaken after the deployment of IPAS.

Hospitality. The underexpenditure is the result of efforts to minimize hospitality costs, with fewer functions hosted than anticipated.

General operating expenses. The underexpenditure is attributable to continued savings in bank charges as a result of the implementation of a new contract with a reduced bank fee structure and the development and introduction of a process that automates routing for complex payment cases; savings in communications costs as a result of a reorganization of communications services and policies; and lower than anticipated expenditure of building operating and renovation expenses as compared with the budgeted expenditure.

Supplies, furniture and equipment. The underexpenditure is attributable to lower than anticipated requirements for supplies and materials and postponing certain informational technology software and equipment acquisitions to the next biennium.

Investment administrative expenses

Other staff costs. The underexpenditure is primarily attributable to a decrease in actual expenditure with respect to general temporary assistance due to the difficulty of identifying suitable candidates, obtaining agreement to release selected candidates and in some cases having candidates not able to continue on general temporary assistance, after-service health insurance and overtime costs as compared with the budgeted amounts.

Travel. The underexpenditure is primarily attributable to a decrease in travel of representatives because the budget was prepared in anticipation of having additional members on the Investments Committee which did not happen and some members were not able to attend every meeting of the Committee.

Training. The underexpenditure is attributable to planned training being postponed owing to exigencies of the office as the Investment Management Division continued to recruit towards full staffing and the Division opting to take advantage of frequent, localized and shorter-term no-cost training opportunities offered by certain financial institutions.

Contractual services. The underexpenditure in advisory services, custodial services and external legal consultants is attributable to restructuring and reduction of non-discretionary advisory services, cancellation of hedge fund advisory services following the decision not to engage in hedge fund investments at this time, a decrease in costs for custodial services and less than anticipated costs for legal services. The underexpenditure in electronic data processing and other contractual services is primarily a result of the postponement of some information technology related projects, the decommissioning of Murex and savings for certain services as compared with the budgeted amount and partially offset by higher than anticipated costs of services provided by the United Nations International Computing Centre.

Hospitality. The underexpenditure is attributable to efforts to minimize hospitality costs and a lower than anticipated number of participants in functions hosted by the Investment Management Division.

General operating expenses. The underexpenditure in operating expenses is attributable to a lower than anticipated use of courier mail and external printing services. The underexpenditure in communications services is attributable to a volume discount in connectivity costs as compared with the budgeted amount.

Supplies, furniture and equipment. The underexpenditure is primarily attributable to less than anticipated need for UNIX servers resulting from the decommissioning of Murex and the implementation of the Bloomberg Asset and Investment Manager (AIM), lower than anticipated expenditure for executive office furniture in 2015 and lower than budgeted costs for supplies and materials.

United Nations Joint Staff Pension Fund

Schedule B

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015

(Thousands of United States dollars)

	Initial appropriation 2015			*2014 budget balance carried forward*			*Revision to appropriations*			*Final budget 2015*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
A. Secretariat administrative expenses												
Established posts	14 603.0	6 527.8	21 130.8	190.5	(10.0)	180.5	447.7	283.2	730.9	15 241.2	6 801.0	22 042.2
Other staff costs	1 985.9	490.2	2 476.1	(8.4)	19.3	10.9	731.4	216.7	948.1	2 708.9	726.2	3 435.1
Consultants	347.8	–	347.8	430.2	–	430.2	(357.7)	–	(357.7)	420.3	–	420.3
Travel of staff	341.9	–	341.9	41.2	–	41.2	(83.9)	–	(83.9)	299.2	–	299.2
Travel of Committee of Actuaries and Audit Committee	287.2	–	287.2	95.0	–	95.0	–	–	–	382.2	–	382.2
Travel	**629.1**	**–**	**629.1**	**136.2**	**–**	**136.2**	**(83.9)**	**–**	**(83.9)**	**681.4**	**–**	**681.4**
Training	159.7	–	159.7	108.8	–	108.8	(200.0)	–	(200.0)	68.5	–	68.5
United Nations International Computing Centre	4 477.6	954.7	5 432.3	950.0	–	950.0	1 000.0	–	1 000.0	6 427.6	954.7	7 382.3
Contractual services	2 785.6	521.4	3 307.0	(951.8)	192.9	(758.9)	2 778.4	(37.8)	2 740.6	4 612.2	676.5	5 288.7
Contractual services	**7 263.2**	**1 476.1**	**8 739.3**	**(1.8)**	**192.9**	**191.1**	**3 778.4**	**(37.8)**	**3 740.6**	**11 039.8**	**1 631.2**	**12 671.0**
Hospitality	2.1	–	2.1	0.7	–	0.7	–	–	–	2.8	–	2.8
Rental and maintenance of premises	3 683.0	1 767.8	5 450.8	(2 666.7)	(1 389.8)	(4 056.5)	(0.3)	–	(0.3)	1 016.0	378.0	1 394.0
Rental and maintenance of equipment	38.5	–	38.5	3.1	–	3.1	0.1	–	0.1	41.7	–	41.7
Communications services	588.1	–	588.1	405.7	–	405.7	(325.0)	–	(325.0)	668.8	–	668.8
Operating expenses	206.0	4.3	210.3	(77.2)	4.3	(72.9)	(17.4)	(8.6)	(26.0)	111.4	–	111.4
Bank charges	1 551.0	–	1 551.0	667.1	–	667.1	(1 000.0)	–	(1 000.0)	1 218.1	–	1 218.1
General operating expenses	**6 066.6**	**1 772.1**	**7 838.7**	**(1 668.0)**	**(1 385.5)**	**(3 053.5)**	**(1 342.6)**	**(8.6)**	**(1 351.2)**	**3 056.0**	**378.0**	**3 434.0**
Supplies and materials	69.8	34.9	104.7	17.1	8.8	25.9	1.7	7.3	9.0	88.6	51.0	139.6
Furniture and equipment	642.7	253.0	895.7	471.2	178.6	649.8	(490.1)	(177.4)	(667.5)	623.8	254.2	878.0
Supplies, furniture and equipment	**712.5**	**287.9**	**1 000.4**	**488.3**	**187.4**	**675.7**	**(488.4)**	**(170.1)**	**(658.5)**	**712.4**	**305.2**	**1 017.6**
Total	**31 769.9**	**10 554.1**	**42 324.0**	**(323.5)**	**(995.9)**	**(1 319.4)**	**2 485.0**	**283.4**	**2 768.3**	**33 931.3**	**9 841.6**	**43 772.9**

Schedule B
Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Final budget 2015			*Actuals on a comparable basis 2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. Secretariat administrative expenses										
Established posts	15 241.2	6 801.0	22 042.2	14 037.3	6 435.3	20 472.6	(1 203.9)	(365.7)	(1 569.6)	(7)
Other staff costs	2 708.9	726.2	3 435.1	1 988.4	552.5	2 540.9	(720.5)	(173.7)	(894.2)	(26)
Consultants	420.3	–	420.3	283.8	–	283.8	(136.5)	–	(136.5)	–
Travel of staff	299.2	–	299.2	199.4	–	199.4	(99.8)	–	(99.8)	(33)
Travel of Committee of Actuaries and Audit Committee	382.2	–	382.2	160.9	–	160.9	(221.3)	–	(221.3)	(58)
Travel	**681.4**	**–**	**681.4**	**360.3**	**–**	**360.3**	**(321.1)**	**–**	**(321.1)**	**(47)**
Training	68.5	–	68.5	86.2	–	86.2	17.7	–	17.7	26
United Nations International Computing Centre	6 427.6	954.7	7 382.3	5 213.5	1 324.3	6 537.8	(1 214.1)	369.6	(844.5)	(11)
Contractual services	4 612.2	676.5	5 288.7	4 266.2	128.1	4 394.3	(346.0)	(548.4)	(894.4)	(17)
Contractual services	**11 039.8**	**1 631.2**	**12 671.0**	**9 479.7**	**1 452.4**	**10 932.1**	**(1 560.1)**	**(178.8)**	**(1 738.9)**	**(14)**
Hospitality	2.8	–	2.8	–	–	–	(2.8)	–	(2.8)	(100)
Rental and maintenance of premises	1 016.0	378.0	1 394.0	(43.9)	(7.5)	(51.4)	(1 059.9)	(385.5)	(1 445.4)	(104)
Rental and maintenance of equipment	41.7	–	41.7	28.4	–	28.4	(13.3)	–	(13.3)	(32)
Communications services	668.8	–	668.8	203.9	–	203.9	(464.9)	–	(464.9)	(70)
Operating expenses	111.4	–	111.4	174.7	–	174.7	63.3	–	63.3	57
Bank charges	1 218.1	–	1 218.1	873.1	–	873.1	(345.0)	–	(345.0)	(28)
General operating expenses	**3 056.0**	**378.0**	**3 434.0**	**1 236.2**	**(7.5)**	**1 228.7**	**(1 819.8)**	**(385.5)**	**(2 205.3)**	**(64)**
Supplies and materials	88.6	51.0	139.6	61.1	9.9	71.0	(27.5)	(41.1)	(68.6)	(49)
Furniture and equipment	623.8	254.2	878.0	626.2	192.3	818.5	2.4	(61.9)	(59.5)	(7)
Supplies, furniture and equipment	**712.4**	**305.2**	**1 017.6**	**687.3**	**202.2**	**889.5**	**(25.1)**	**(103.0)**	**(128.1)**	**(13)**
Total	**33 931.3**	**9 841.6**	**43 772.9**	**28 159.2**	**8 634.9**	**36 794.1**	**(5 772.1)**	**(1 206.7)**	**(6 978.8)**	**(16)**

Schedule B
Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Initial appropriation 2015			*2014 budget balance carried forward*			*Revision to appropriations*			*Final budget 2015*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
B. Investment administrative expenses												
Established posts	11 278.6	–	11 278.6	1 502.9	–	1 502.9	(1 000.0)	–	(1 000.0)	11 781.5	–	11 781.5
Other staff costs	920.1	–	920.1	320.9	–	320.9	(84.2)	–	(84.2)	1 156.8	–	1 156.8
Consultants	1 013.3	–	1 013.3	100.7	–	100.7	(698.3)	–	(698.3)	415.7	–	415.7
Travel of staff	653.6	–	653.6	444.8	–	444.8	(603.5)	–	(603.5)	494.9	–	494.9
Travel of Investment Committee	334.3	–	334.3	170.8	–	170.8	(220.3)	–	(220.3)	284.8	–	284.8
Travel	**987.9**	**–**	**987.9**	**615.6**	**–**	**615.6**	**(823.8)**	**–**	**(823.8)**	**779.7**	**–**	**779.7**
Training	223.5	–	223.5	295.0	–	295.0	(302.1)	–	(302.1)	216.4	–	216.4
Electronic data processing and other contractual services	7 094.0	–	7 094.0	3 123.5	–	3 123.5	(576.3)	–	(576.3)	9 641.2	–	9 641.2
External legal consultants	1 568.3	–	1 568.3	924.8	–	924.8	(0.1)	–	(0.1)	2 493.0	–	2 493.0
Advisory and custodial services	15 007.9	–	15 007.9	(2 690.9)	–	(2 690.9)	(3 058.9)	–	(3 058.9)	9 258.1	–	9 258.1
Contractual services	**23 670.2**	**–**	**23 670.2**	**1 357.4**	**–**	**1 357.4**	**(3 635.3)**	**–**	**(3 635.3)**	**21 392.3**	**–**	**21 392.3**
Hospitality	12.2	–	12.2	(7.6)	–	(7.6)	20.0	–	20.0	24.6	–	24.6
Rental and maintenance of premises	3 389.2	–	3 389.2	(2 370.9)	–	(2 370.9)	2 022.4	–	2 022.4	3 040.7	–	3 040.7
Rental and maintenance of equipment	13.2	–	13.2	7.9	–	7.9	–	–	–	21.1	–	21.1
Communications services	127.9	–	127.9	33.0	–	33.0	–	–	–	160.9	–	160.9
Operating expenses	375.9	–	375.9	368.5	–	368.5	686.1	–	686.1	1 430.5	–	1 430.5
General operating expenses	**3 906.2**	**–**	**3 906.2**	**(1 961.5)**	**–**	**(1 961.5)**	**2 708.5**	**–**	**2 708.5**	**4 653.2**	**–**	**4 653.2**
Supplies and materials	89.0	–	89.0	45.2	–	45.2	–	–	–	134.2	–	134.2
Furniture and equipment	371.3	–	371.3	559.7	–	559.7	0.1	–	0.1	931.1	–	931.1
Supplies, furniture and equipment	**460.3**	**–**	**460.3**	**604.9**	**–**	**604.9**	**0.1**	**–**	**0.1**	**1 065.3**	**–**	**1 065.3**
Total	**42 472.3**	**–**	**42 472.3**	**2 828.3**	**–**	**2 828.3**	**(3 815.1)**	**–**	**(3 815.1)**	**41 485.5**	**–**	**41 485.5**

Schedule B
Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Final budget 2015			*Actuals on a comparable basis 2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
B. Investment administrative expenses										
Established posts	11 781.5	–	11 781.5	10 111.0	–	10 111.0	(1 670.5)	–	(1 670.5)	(14)
Other staff costs	1 156.8	–	1 156.8	479.9	–	479.9	(676.9)	–	(676.9)	(59)
Consultants	415.7	–	415.7	378.4	–	378.4	(37.3)	–	(37.3)	(9)
Travel of staff	494.9	–	494.9	427.8	–	427.8	(67.1)	–	(67.1)	(14)
Travel of Investment Committee	284.8	–	284.8	152.3	–	152.3	(132.5)	–	(132.5)	(47)
Travel	**779.7**	**–**	**779.7**	**580.1**	**–**	**580.1**	**(199.6)**	**–**	**(199.6)**	**(26)**
Training	216.4	–	216.4	27.4	–	27.4	(189.0)	–	(189.0)	(87)
Electronic data processing and other contractual services	9 641.2	–	9 641.2	5 198.6	–	5 198.6	(4 442.6)	–	(4 442.6)	(46)
External legal consultants	2 493.0	–	2 493.0	800.0	–	800.0	(1 693.0)	–	(1 693.0)	(68)
Advisory and custodial services	9 258.1	–	9 258.1	5 033.2	–	5 033.2	(4 224.9)	–	(4 224.9)	(46)
Contractual services	**21 392.3**	**–**	**21 392.3**	**11 031.8**	**–**	**11 031.8**	**(10 360.5)**	**–**	**(10 360.5)**	**(48)**
Hospitality	24.6	–	24.6	1.7	–	1.7	(22.9)	–	(22.9)	(93)
Rental and maintenance of premises	3 040.7	–	3 040.7	2 660.8	–	2 660.8	(379.9)	–	(379.9)	(12)
Rental and maintenance of equipment	21.1	–	21.1	8.9	–	8.9	(12.2)	–	(12.2)	(58)
Communications services	160.9	–	160.9	70.5	–	70.5	(90.4)	–	(90.4)	(56)
Operating expenses	1 430.5	–	1 430.5	614.4	–	614.4	(816.1)	–	(816.1)	(57)
General operating expenses	**4 653.2**	**–**	**4 653.2**	**3 354.6**	**–**	**3 354.6**	**(1 298.6)**	**–**	**(1 298.6)**	**(28)**
Supplies and materials	134.2	–	134.2	37.6	–	37.6	(96.6)	–	(96.6)	(72)
Furniture and equipment	931.1	–	931.1	570.5	–	570.5	(360.6)	–	(360.6)	(39)
Supplies, furniture and equipment	**1 065.3**	**–**	**1 065.3**	**608.1**	**–**	**608.1**	**(457.2)**	**–**	**(457.2)**	**(43)**
Total	**41 485.5**	**–**	**41 485.5**	**26 573.0**	**–**	**26 573.0**	**(14 912.5)**	**–**	**(14 912.5)**	**(36)**

Schedule B
Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Initial appropriation 2015			*2014 budget balance carried forward*			*Revision to appropriations*			*Final budget 2015*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
C. Audit expenses												
External audit	322.8	64.6	387.4	–	–	–	–	(2.9)	(2.9)	322.8	61.7	384.5
Internal audit	743.8	148.8	892.6	19.8	3.9	23.7	(57.4)	6.0	(51.4)	706.2	158.7	864.9
Total	**1 066.6**	**213.4**	**1 280.0**	**19.8**	**3.9**	**23.7**	**(57.4)**	**3.1**	**(54.3)**	**1 029.0**	**220.4**	**1 249.4**
D. Board expenses	204.6	–	204.6	61.7	–	61.7	–	–	–	266.3	–	266.3
Total administrative expenses	**75 513.4**	**10 767.5**	**86 280.9**	**2 586.3**	**(992.0)**	**1 594.3**	**(1 387.5)**	**286.5**	**(1 101.1)**	**76 712.1**	**10 062.0**	**86 774.1**

Schedule B

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Final budget 2015			*Actuals on a comparable basis 2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
C. Audit expenses										
External audit	322.8	61.7	384.5	322.8	64.6	387.4	–	2.9	2.9	1
Internal audit	706.2	158.7	864.9	704.2	140.8	845.0	(2.0)	(17.9)	(19.9)	(2)
Total	**1 029.0**	**220.4**	**1 249.4**	**1 027.0**	**205.4**	**1 232.4**	**(2.0)**	**(15.0)**	**(17.0)**	**(1)**
D. Board expenses	266.3	–	266.3	86.3	–	86.3	(180.0)	–	(180.0)	(68)
Total administrative expenses	**76 712.1**	**10 062.0**	**86 774.1**	**55 845.5**	**8 840.3**	**64 685.8**	**(20 866.6)**	**(1 221.7)**	**(22 088.3)**	**(25)**

The purpose of schedule B is to compare budget to actual amounts on a comparable basis, i.e. actual amounts on the same basis as the budget. As the Pension Fund's budget is prepared on a modified cash basis and the actual costs on a comparable basis are consequently also shown on a modified cash basis, the total for actual costs on a comparable basis does not agree with the administrative expenses shown in the statement of changes in net assets as that statement is prepared on an accrual basis. A reconciliation of the differences is provided in note 22.2.

United Nations Joint Staff Pension Fund

Notes to the financial statements

Note 1
Description of the plan

1. The following is a brief description of the United Nations Joint Staff Pension Fund. The Regulations and Administrative Rules are available from the Fund's website (www.unjspf.org).

1.1 General

2. The Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple employer, defined benefit plan. There are currently 23 member organizations participating in the Fund. All participating organizations and employees contribute to the Fund based on pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers (see also note 3.5).

3. The Fund is governed by a Pension Board made up of: (a) 12 members appointed by the United Nations Staff Pension Committee, four of whom are from the members and alternate members elected by the General Assembly, four from those appointed by the Secretary-General, and four from those elected by the participants in service in the United Nations; and (b) 21 members appointed by the staff pension committees of the other member organizations in accordance with the Rules of Procedure of the Fund, 7 of whom are chosen from the members and alternate members by the bodies of the member organizations corresponding to the General Assembly, 7 of whom are from those appointed by the chief administrative officers of the member organizations and 7 of whom are from those chosen by the participants in service.

1.2 Administration of the Fund

4. The Fund is administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee.

5. The Chief Executive Officer of the Fund, who also serves as Secretary of the Pension Board, is appointed by the Secretary-General on the recommendation of the Pension Board.

6. The Chief Executive Officer is responsible for the administration of the Pension Fund and for the observance, by all concerned, of the Regulations and Rules and the Pension adjustment system. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; representing the Board at meetings of the Fifth Committee of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the International Civil Service Commission and any other pertinent bodies; and serving as Secretary of the United Nations Staff Pension Committee. The Chief Executive Officer is also responsible for providing a range of administrative functions to support the Investment Management Division.

7. The management of the investments of the Fund is the fiduciary responsibility of the Secretary-General, in consultation with an Investments Committee. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the investment of the assets of the Fund. The Representative is responsible for arranging for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board. Prior to 1 June 2014, the Assistant Secretary-General for Programme Planning, Budget and Accounts and Controller of the United Nations was designated as the Representative of the Secretary-General, with responsibility for the management and accounting of the investments of the Fund. Following the transfer of the Assistant Secretary-General to the United Nations Development Programme (UNDP), the Under-Secretary-General for Management of the United Nations was designated as the Representative of the Secretary-General. Effective 7 October 2014, a permanent Representative has been appointed by the Secretary-General.

8. The Chief Financial Officer, who reports to the Chief Executive Officer and to the Representative of the Secretary-General in their respective substantive responsibilities, is responsible for formulating financial policy for the Fund, reviewing budgetary, financial and accounting operations of the Fund and ensuring that an adequate financial control environment is in place to protect the Fund's resources and to guarantee the quality and reliability of financial reporting. In addition, the Chief Financial Officer is responsible for setting the rules for the collection, from the different information systems and areas of the Fund, of the financial and accounting data necessary for the preparation of the Fund's financial statements; the Chief Financial Officer has full access to such systems and data. The Chief Financial Officer ensures that the financial statements are in compliance with the Fund's Regulations and Rules, the accounting standards adopted by the Fund and the decisions of the Pension Board and General Assembly and also certifies the financial statements.

1.3 Participation in the Fund

9. Members of the staff of each of the 23 member organizations of the Fund become participants in the Fund upon commencing employment under an appointment for six months or longer, or upon completion of six months of service without an interruption of more than 30 days. As at 31 December 2015, the Fund had over 126,000 active contributors (participants). Member organizations/agencies include the United Nations Secretariat, the United Nations Children's Fund, UNDP and the Office of the United Nations High Commissioner for Refugees and various specialized agencies such as the World Health Organization, the International Labour Organization, the International Atomic Energy Agency, the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization (see annex to the present notes for a complete list of member organizations). There are currently more than 71,400 periodic benefits being paid to individuals in some 190 countries. The total annual pension payments, which total approximately $2.4 billion, are paid in 15 different currencies.

1.4 Operation of the Fund

10. Participant and beneficiary processing and queries are handled by the operations sections/units of the Fund, at offices located in New York and Geneva. All of the accounting for operations is handled in New York by a centralized Financial Services Section, which also manages receipt of monthly contributions from member organizations and the payments of the monthly pension payroll.

11. The Representative of the Secretary-General is assisted by the staff of the Investment Management Division where investments are actively traded and processed and investment transactions are reconciled and accounted for.

1.5 Actuarial valuation of the Fund

12. Article 12 of the Regulations of the United Nations Joint Staff Pension Fund (JSPB/G.4/Rev.20) provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. Currently the Fund is performing actuarial valuations every two years. Article 12 further provides that the actuarial report shall state the assumptions on which the calculations are based, describe the methods of valuation used and state the results, as well as the recommendations, if any, for appropriate action. See note 19 for the most recent summary of the actuarial situation of the Fund.

1.6 Retirement benefit

13. Any participant who has five years of contributory service receives, upon separation at or after normal retirement age, a retirement benefit payable for the remainder of his or her life. "Normal retirement age" means age 60 for a participant whose service commenced prior to 1 January 1990, age 62 for a participant whose service commenced or recommenced on or after 1 January 1990 and age 65 for a participant whose service commenced or recommenced on or after 1 January 2014.

14. The standard annual rate of retirement benefit for a participant who entered the Fund on or after 1 January 1983 is the sum of:

(a) 1.5 per cent of final average remuneration multiplied by the first five years of contributory service;

(b) 1.75 per cent of final average remuneration multiplied by the next five years of contributory service;

(c) 2 per cent of final average remuneration multiplied by the years of contributory service in excess of 10, but not exceeding 25;

(d) The years of contributory service in excess of 35 and performed as from 1 July 1995, by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent.

15. The standard annual rate of retirement benefit for a participant who entered the Fund prior to 1 January 1983 is 2 per cent of final average remuneration multiplied by contributory service not exceeding 30 years, plus 1 per cent of final average remuneration multiplied by such service in excess of 30 years, not exceeding 10 years.

16. The maximum benefit to participants, subject to the terms specified in the Regulations and Rules of the Fund, is the greater of 60 per cent of pensionable remuneration at the date of separation or the maximum benefit that would be payable, at that date, to a participant at the D-2 level (who has been at the top step for the preceding five years).

17. The retirement benefit shall, however, be payable at the minimum annual rate obtained by multiplying the years of the participant's contributory service, not exceeding 10, by the smaller of $1,034.96 (effective 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States consumer price index under the pension adjustment system) or one thirtieth of the final average remuneration.

18. The annual rate of the retirement benefit shall, nevertheless, not be less, when no other benefit is payable on account of the participant, than the smaller of $1,646.16 (effective 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States consumer price index under the pension adjustment system) or the final average remuneration of the participant.

19. "Final average remuneration" means the average annual pensionable remuneration of a participant during the 36 completed months of highest pensionable remuneration within the last five years of contributory service.

20. A participant may, except in the case where a minimum benefit is payable and he or she does not waive the rights thereto, elect to receive (a) if the retirement benefit is $300 per annum or more, a lump sum not greater than the larger of one third of the actuarial equivalent of the retirement benefit (not exceeding the maximum amount payable to a participant then retiring at normal retirement age, with final average remuneration equal to the pensionable remuneration for the top step of the P-5 level), or the amount of the participant's own contributions at retirement, and the participant's retirement benefit is then reduced accordingly; or (b) if the participant's retirement benefit is less than $1,000 per annum, the lump sum actuarial equivalent of the full retirement benefit, including the prospective spouse's benefit, if any, if the participant so elects.

Early retirement

21. An early retirement benefit is payable to a participant whose age on separation is at least 55 (58 for a participant whose participation commenced on or after 1 January 2014) but less than the normal retirement age and who has five years or more of contributory service at separation.

22. The early retirement benefit for a participant whose participation commenced prior to 1 January 2014 is payable at the standard annual rate for a retirement benefit reduced by 6 per cent for each year between the retirement date and normal retirement age, except that (a) if the participant has completed 25 but less than 30 years of contributory service at the date of retirement, the part of the benefit for service before 1 January 1985 is reduced by 2 per cent a year, and the remaining part of the benefit is reduced by 3 per cent a year; or (b) if the participant has completed 30 or more years of contributory service at the date of retirement, the benefit is reduced by 1 per cent a year, provided however that the rate in (a) or (b) applies to no more than five years. The methodology of calculation of the early retirement benefits for employees whose participation began on or after 1 January 2014 is detailed in article 29 of the Regulations of the Fund.

23. The early retiree may elect to receive a lump sum on the same terms as for a retirement benefit.

Separation from service prior to eligibility for early retirement

24. A deferred retirement benefit is payable to a participant whose age on separation is less than normal retirement age and who has five years or more of contributory service at separation. The deferred retirement benefit is payable at the standard rate for a retirement benefit and commences at normal retirement age. The participant may elect to have the benefit commence at or after age 55 on the same terms as for an early retirement benefit.

25. A withdrawal settlement is payable to a participant separating from service before normal retirement age or on or after normal retirement age if the participant is not entitled to a future retirement benefit. The participant receives his or her own contributions increased by 10 per cent for each year of contributory service in excess of five years, to a maximum increase of 100 per cent.

1.7 Disability benefit

26. A disability benefit is payable to a participant incapacitated for further service for a period likely to be permanent or of long duration.

27. The disability benefit is payable at the standard or minimum annual rate for a retirement benefit if the participant is at least normal retirement age at disability. If the participant is under normal retirement age, it is payable at the rate of the retirement benefit to which the participant would have been entitled if he or she had remained in service until normal retirement age and his or her final average remuneration had remained unchanged.

28. The annual rate of the benefit shall, notwithstanding the above, not be less, when no other benefit is payable on the account of the participant, than the smaller of $500 (increased to $2,741.04 under the pension adjustment system with effect

from 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States consumer price index under the pension adjustment system) or the final average remuneration of the participant.

1.8 Survivor's benefit

29. A benefit is payable to a surviving spouse of a participant who was entitled to a retirement, early retirement, deferred retirement or disability benefit at the date of his or her death, or who died in service if they were married at the time of separation and remained married at the time of death. Certain limitations on eligibility apply in cases of divorced surviving spouses. The surviving spouse's benefit is generally payable at half the amount of the participant's retirement or disability benefit and is subject to certain minimum levels.

1.9 Child benefit

30. A child's benefit is payable to each child under the age of 21 of a participant who is entitled to a retirement, early retirement, or disability benefit or who dies in service, while the child remains under 21. The benefit may also be payable in certain circumstances to a child who is over the age of 21, such as when the child is found to have been incapacitated for substantial gainful employment. The child benefit for each child is generally one third of any retirement or disability benefit due to a participant or that would have been due in the case of a participant who dies in service, subject to certain minimum amounts and also limited in terms of maximum amount. In addition, there are certain total maximum amounts that apply in cases of multiple children of the same participant.

1.10 Other benefits

31. Other benefits include the secondary dependant benefit and the residual settlement benefit. A full description of these benefits is available in the Regulations and Administrative Rules of the Fund.

1.11 Pension adjustment system

32. The provisions of the Fund's pension adjustment system provide for periodic cost-of-living adjustments in benefits. In addition, for participants who retire in a country whose currency is not the United States dollar, the current pension adjustment system is intended to ensure that, subject to certain minimum and maximum provisions, a periodic benefit never falls below the "real" value of its United States dollar amount, as determined under the Regulations and Administrative Rules of the Fund and the pension adjustment system, and preserves its purchasing power as initially established in the currency of the recipient's country of residence. This is achieved by establishing a dollar base amount and a local currency base amount (the two-track system).

33. The "real" value of a United States dollar amount is that amount adjusted over time for movements of the United States consumer price index, while the purchasing power of a recipient's benefit, once established in local currency, is preserved by adjusting it to follow movements of the consumer price index in his or her country of residence.

1.12 Funding policy

34. As a condition of participation in the Fund, participants are required to contribute 7.9 per cent of their pensionable remuneration to the plan. They earn interest at a rate of 3.25 per cent per year in accordance with article 11 (c) of the Regulations of the Fund. The contributions by participants for the years ended 31 December 2015 and 31 December 2014 were $751 million and $757 million, respectively. The contribution figures do not include interest on the contributions.

35. The policy is for member organizations to make contributions on an estimated monthly basis and then to reconcile these estimated amounts in an annual year-end process. The contributions by member organizations are also expressed as a percentage of the pensionable remuneration of the participants as defined in article 54 of the Regulations of the Fund. The contribution rate for member organizations is currently 15.8 per cent; these contributions to the Fund totalled $1,496 million and $1,503 million during calendar years 2015 and 2014, respectively. When combined with the contributions by participants and expected investment returns, total funding is estimated to be sufficient to provide for the benefits of all employees by the time they retire.

36. The assets of the Fund are derived from:

(a) Contributions of the participants;

(b) Contributions of the member organizations;

(c) Yield from the investments of the Fund;

(d) Deficiency payments, if any, under article 26;

(e) Receipts from any other source.

1.13 Plan termination terms

37. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Board, following application for termination by a member organization or continued default by an organization in its obligations under the Regulations of the Fund.

38. In the event of such termination, a proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund on such date, pursuant to an arrangement mutually agreed between the organization and the Board.

39. The amount of the proportionate share shall be determined by the Board after an actuarial valuation of the assets and liabilities of the Fund.

40. In the event that an actuarial valuation of the Fund shows that its assets may not be sufficient to meet its liabilities under the Regulations of the Fund, there shall be paid into the Fund by each member organization the sum necessary to make good the deficiency.

41. Each member organization shall contribute to the sum necessary to make good the deficiency an amount proportionate to the total contributions which each paid under article 25 during the three years preceding the valuation date.

42. The contribution of an organization admitted to membership less than three years prior to the valuation date shall be determined by the Board.

1.14 Changes in funding policy and plan termination terms during the reporting period

43. There were no changes in the funding policy or plan termination terms during the reporting period.

Note 2
General information

2.1 Basis of presentation

44. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board. The Pension Fund adopted IPSAS as of 1 January 2012. This also specifically included the adoption of International Accounting Standard (IAS) 26, Accounting and reporting by retirement benefit plans, of the International Financial Reporting Standards. While IAS 26 provides accounting guidance, it also offers direction on the presentation of financial statements as it requires the presentation of a statement of net assets available for benefits and a statement of changes in net assets available for benefits. As the Fund has incorporated the guidance in IAS 26 into its financial policies, the presentation of its financial statements is based on this guidance. The Fund also presents cash flow statements on a comparative basis in accordance with IPSAS 2, Cash flow statements, beginning for the year 2015. Additional information is presented where requested by IPSAS standards. For instance, as required by IPSAS 24, Presentation of budget information in financial statements, the Fund has included in its financial statements a comparison of budget and actual amounts on a comparable basis (schedule A) and a reconciliation of actual amounts on a comparable basis and the actual amounts recognized in the financial statements (see note 22). While IPSAS 24 states that the actual cost on a comparable basis should be reconciled to the cash flows from operating, investing and financing activities as presented in the cash flow statement, management has decided to reconcile these amounts to the administrative expenses recognized in the statement of changes in net assets. This is due to the fact that the Fund's budget is limited to the administrative expenses incurred in a biennium.

45. The financial statements are prepared on an annual basis. The financial statements are presented in United States dollars and all values are rounded to the nearest thousand United States dollars except where otherwise indicated.

2.2 Significant standards, interpretations and amendments during the year

46. In January 2015, the IPSAS Board issued IPSAS 35, Consolidated financial statements. IPSAS 35 supersedes the requirements in IPSAS 6, which addressed accounting for consolidated financial statements. IPSAS 35 establishes a single

control model that applies to all entities, including special purpose entities. In addition, IPSAS 35 includes an exception from consolidation for entities that meet the definition of an investment entity and requires such entities to recognize all investments at fair value through profit or loss. The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund has adopted this standard early, effective from 1 January 2015. As from 31 December 2015, the Fund does not have control over any of its investment portfolio, accordingly adoption of this standard did not have any impact on the Fund’s financial statements.

47. In January 2015, the IPSAS Board issued IPSAS 36, Investments in associates and joint ventures. IPSAS 36 explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund has adopted this standard early, effective from 1 January 2015. As from 31 December 2015, the Fund does not have joint control or significant influence over any of its investment portfolio, accordingly adoption of this standard did not have any impact on the Fund’s financial statements.

48. In January 2015, the IPSAS Board issued IPSAS 38, Disclosure of interests in other entities. IPSAS 38 sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IPSAS 38 are more comprehensive than the previously existing disclosure requirements. The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund has adopted this standard early, effective from 1 January 2015. As from 31 December 2015 the Fund does not have controlling interest, joint control or significant influence in any of its investment portfolio, accordingly there are no additional disclosure requirements on adoption of this standard.

49. Other accounting standards that have been issued by the IPSAS Board are either not expected to have any impact or have immaterial impact on the Fund’s financial statements.

2.3 Other general information

50. The Fund compiles its financial statements using data collected from three main areas. For operational activities (contributions and payment of benefits), the Fund maintains its own records and systems. For investment activities, the Fund receives a monthly general ledger feed from the independent master record keeper comprising information collected and reconciled from source data provided by the Investment Management Division, global custodians and fund managers. For its administrative expenses, the Fund utilizes systems of the United Nations Secretariat (the Integrated Management Information System (IMIS) and Umoja) to record and compile its administrative expense activity. The information provided by IMIS and Umoja are provided on a modified cash basis and subsequently reworked to a full accrual basis by the Fund. Some of the administrative expenses of the Fund, including costs associated with the administrative tasks of the United Nations Staff Pension Committee, are reimbursed by the United Nations under the terms of a cost sharing arrangement. Consequently, the Fund has decided to reflect the

reimbursement by the United Nations as a reduction of its administrative expenses, subsequently converted in full accrual accounting in accordance with IPSAS requirements.

Note 3
Significant accounting policies

3.1 Cash and cash equivalents

51. Cash and cash equivalents are held at nominal value and include cash on hand, cash held with external managers and short-term, highly liquid time deposits held with financial institutions with maturities of three months or less from the date of acquisition.

3.2 Investments

3.2.1 Classification of investments

52. All investments of the Fund are designated at fair value through surplus and deficit. Consequently, the Fund's investments are carried and reported at fair value on the statement of net assets available for benefits, with changes in fair value recognized in the statement of changes in net assets available for benefits. Purchases and sales of securities are recorded on a trade date basis. The designation and classification of the investments are carried out at initial recognition and reassessed at each reporting date.

53. Any transaction costs arising as part of an investment trade designated at fair value are expensed and recognized in the statement of changes in net assets.

54. The Fund classifies its investments in the following categories:

- Short-term investments (including fixed income investments maturing more than three months but less than one year from the date of acquisition)
- Equities (including exchange-traded funds, common and preferred stocks, stapled securities and publicly traded real estate investment trusts)
- Fixed income (including fixed income investments maturing more than one year from acquisition date)
- Real assets (including investments in funds where the underlying assets are real assets such as real properties, infrastructure assets, timber and agriculture)
- Alternative and other investments (including investments in private equity funds and commodity funds, and investments classified as hedge funds).

3.2.2 Valuation of financial instruments

55. The Fund uses the established and documented process of its master record keeper for determining fair values, which is reviewed and validated by the Fund at the reporting date. Fair value is based on quoted market prices where available. If the fair market value is not available, valuation techniques are used.

56. Investments in commingled funds and private equity and private real estate investment funds are usually not quoted in an active market and therefore may not

have a readily determinable fair market value. However, the fund managers generally report investments in the funds on a fair value basis. Therefore, the Fund determines fair value using the net asset value information as reported by the investee fund managers in the latest available quarterly capital account statements. Where the fourth quarter capital account statements or estimated net asset values are not received by the time the Fund's financial statements are prepared, the fair value is calculated based on the third quarter net asset value reported by the investee fund managers adjusted by any cash flows in the fourth quarter. For financial assets and liabilities not designated at fair value through surplus and deficit, the carrying value approximates fair value.

Interest and dividend income

57. Interest income is recognized on a time-proportionate basis. It includes interest income from cash and cash equivalents and short-term and fixed income investments.

58. Dividend income is recognized on the ex-dividend date when the right to receive payment is established.

3.2.3 Income from real assets and alternative investments

59. Income distributed from unitized funds is treated as income in the period in which it is earned.

3.2.4 Receivable/payable from/to investments traded

60. Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of net assets available for benefits. These amounts are recognized at the amount expected to be paid or received to settle the balances. Distributions from real assets and alternative fund investments declared but not received prior to year-end are also included under receivables from investments traded, to the extent the year-end net asset value of the fund that declares a distribution already includes the distribution to be made.

61. Impairment of receivables from investments traded is recorded when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization and default in payments are considered indicators that the receivable from investments traded is impaired.

3.3 Tax status and withholding tax receivables

62. The Fund is exempt from national taxation of Member States on the Fund's direct investments in accordance with Article 105 of the Charter of the United Nations and with article II, section 7 (a) of the Convention on the Privileges and Immunities of the United Nations. While some Member States grant relief at source for the Fund's income from investments, other countries continue to withhold taxes at the time dividends are paid. In these instances, the Fund's custodians file claims to the governmental taxing authorities for refunds on behalf of the Fund. In Brazil, some regions in China and for certain years in Turkey there is no formally

established reclamation mechanism in place and in these cases the Fund's custodians have thus far been unable to file and/or reclaim the withheld taxes. As these Member States have confirmed the Fund's tax exempt status, the taxes withheld from direct investments in these countries are accrued and continue to be fully provided for in 2015.

63. The Fund measures its withholding tax receivable at the amount deemed to be recoverable.

64. For the purposes of disclosure, the tax balances are recorded under withholding tax receivable in the statement of net assets available for benefits. Any amount considered to be unrecoverable is recognized in the statement of changes in net assets available for benefits and is included under withholding tax expense.

3.4 Critical accounting estimates

65. Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of financial instruments

66. The Fund may hold financial instruments that are not quoted in active markets. The fair value of such instruments is determined using valuation techniques. Where valuation techniques are used to determine fair value, they are validated and periodically reviewed and modified as required. Valuation models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

67. Fair value of financial instruments not quoted in an active market may also be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Quotes by brokers as obtained from the pricing sources may be indicative and not executable or binding. The Fund exercises judgment on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value financial instruments using internal valuation models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

68. Valuation models are created using observable data to the extent practicable. However, in areas such as credit risk (of both the Fund and the counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

69. The determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Taxes

70. Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on withholding tax. Given the wide range of international investments, differences arising between the actual income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded.

Impairment

71. The annual review to assess potential impairment is an area where the Fund exercises significant judgment.

Bad debt provision for the Fund's non-investment-related receivables

72. A provision is established to properly reflect the accurate position of the accounts receivable for all non-performing overpayments of pension benefits that are two years or older as at the respective year-end date of the financial statements.

Actuarial assumptions

73. Disclosure note 19 contains information on assumptions used for actuarial purposes.

3.5 Contributions

74. Contributions are recorded on an accrual basis. Participants and their employing member organizations are required to contribute to the Fund 7.9 per cent and 15.8 per cent, respectively, of the pensionable remuneration of the participants. Each month the Fund accrues a receivable amount for contributions expected. When contributions are actually received, the receivable is offset. Contributions are due to be paid by member organizations by the second business day of the month following the month for which the contributions relate. The contributions vary based on changes in the number of participants, changes in the distribution of participants, changes in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission, and the yearly grade step increase to individual pensionable remuneration received by all participants.

3.6 Benefits

75. Payments of benefits, including withdrawal settlements, are recorded on an accrual basis. The right to a benefit is generally forfeited if, for two years (withdrawal settlement or residual settlement) or five years (retirement, early retirement, deferred retirement or disability benefit) after payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.

3.7 Accounting for non-United States dollar denominated currency translations and balances

76. Non-United States dollar denominated currency transactions are translated using the spot exchange rate between the functional currency and the non-United States dollar denominated currency at the date of the transaction.

77. At each reporting date, non-United States dollar denominated monetary items are translated using the closing spot rate. The Fund applies the Bloomberg rates as the spot rate for investment activities and the United Nations operational rate of exchange for non-investment activities. Exchange differences arising on the settlement of these monetary items or on translating these monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the statement of changes in net assets available for benefits in the period in which they arise.

3.8 Leases

78. All of the Fund's leases are categorized as operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

3.9 Property, plant and equipment

79. Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. All assets acquired for a cost of $20,000 and above are capitalized. The Fund reviews this threshold annually for reasonableness. The Fund owns no land or buildings.

80. Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method. The estimated useful lives for property, plant and equipment classes are as follows:

Class	*Estimated useful life, in years*
Computer equipment	4
Office equipment	4
Office furniture	10
Office fixtures and fittings	7
Audio/visual equipment	7

81. Leasehold improvements are recognized as assets and valued at cost and are depreciated over the lesser of seven years or the lease term. Impairment reviews are undertaken if indicators of impairment exist.

3.10 Intangible assets

82. Intangible assets are capitalized if their cost exceeds the threshold of $20,000, except for internally developed software where the threshold is $50,000. The capitalized cost of internally developed software excludes costs related to research

and maintenance. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortization is recognized over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

Class	*Estimated useful life, in years*
Software acquired externally	3
Internally developed software	6
Licences and rights, copyrights and other intangible assets	Shorter of 3 years or the life of the asset

3.11 Emergency fund

83. The appropriation is recorded when the authorization is approved by the General Assembly. Participants wishing to avail themselves of this benefit apply to the Pension Fund. After review and authorization, approved amounts are paid to the participant. Payments are charged directly against the appropriation account and any unexpended balance reverts to the Fund at the end of the year. Current expense for the year is reported in the statement of changes in net assets available for benefits.

3.12 Provisions and contingent liabilities

84. Provisions are made for future liabilities and charges where the Fund has a present legal or constructive obligation as a result of past events and it is probable that the Fund will be required to settle the obligation.

85. Other commitments that do not meet the recognition criteria for liabilities are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Fund.

3.13 Employee benefits

86. Among certain short-term and other long-term benefits, the Fund provides its employees with certain post-employment benefits.

87. After-service health insurance, repatriation grants and death benefits are classified as defined benefit schemes and accounted for as such.

88. The employees of the Fund themselves participate in the Pension Fund. While the Fund is a defined benefit scheme, it has been classified as a multiemployer fund. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual organizations participating in the plan. The Fund, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The

Fund's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

3.14 Reconciliation of budget information

89. The Fund's budget is prepared on a modified cash basis and the financial statements are prepared on an accrual basis.

90. The General Assembly approves the biennial budget for the Fund's administrative expenses. Budgets may be subsequently amended by the Assembly or through the exercise of delegated authority.

91. As required by IPSAS 24, schedules A and B, the statement of comparison of budget and actual amounts in relation to administrative expenses for the biennium 2014-2015, and the statement of comparison of budget and actual amounts for the year ended 31 December 2015, provide a comparison of budget and actual amounts on a comparable basis. The comparison includes the original and final budget amounts, the actual amounts on the same basis as the corresponding budgetary amounts and an explanation of material differences (> +/-10%) between the actual and budget amounts.

92. Note 22 provides a reconciliation of actual amounts presented on the same basis as the budget and actual amounts included in the IPSAS financial statements.

3.15 Related party transactions

93. Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

94. The following parties are considered related parties for the Pension Fund:

(a) Key management personnel: the Chief Executive Officer, the Representative of the Secretary-General, the Deputy Chief Executive Officer, the Director of the Investment Management Division and the Chief Financial Officer;

(b) The General Assembly;

(c) The 23 member organizations participating in the Fund;

(d) The United Nations International Computing Centre.

95. A summary of the relationship and transactions with the above parties is given in note 24.

3.16 Subsequent events

96. Any information that is received after the reporting period but before the financial statements are issued about conditions that existed at the date of the statement of net assets available for benefits is incorporated in the financial statements.

97. In addition, any event that occurs after the date of the statement of net assets available for benefits but before the financial statements are published that is material to the Fund are disclosed in the notes to the financial statements.

Note 4
Cash and cash equivalents

98. Cash and cash equivalents include:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Cash on hand: Investment Management Division	1 293 752	1 927 274
Cash on hand: Fund secretariat	142 534	145 874
Cash held by external managers	51 846	37 736
Total cash and cash equivalents	**1 488 132**	**2 110 884**

Note 5
Financial instruments by category

99. The following tables provide an overview of all financial instruments held by category as at 31 December 2015 and 31 December 2014:[15]

(Thousands of United States dollars)

	As at 31 December 2015		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Financial assets as indicated in the statement of net assets available for benefits			
Cash and cash equivalents	1 488 132	–	–
Investments			
Short-term investments	534 952	–	–
Equities	32 501 344	–	–
Fixed income	12 485 103	–	–
Real assets	3 315 119	–	–
Alternative and other investments	1 865 629	–	–
Contributions receivable	–	42 797	–
Accrued income from investments	–	147 836	–
Receivable from investments traded	–	16 396	–
Withholding tax receivables	–	12 604	–
Other assets	–	20 904	–
Total financial assets	**52 190 279**	**240 537**	**–**

[15] Non-financial assets and liabilities other than employee benefits are excluded from the tables, as this analysis is required only for financial instruments.

	As at 31 December 2015		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Financial liabilities as indicated in the statement of net assets available for benefits			
Benefits payable	–	–	89 594
Payable from investments traded	–	–	10 796
After-service health insurance and other employee benefit liabilities	–	–	70 358
Other accruals and liabilities	–	–	12 638
Total financial liabilities	**–**	**–**	**183 386**

(Thousands of United States dollars)

	As at 31 December 2014		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Financial assets as indicated in the statement of net assets available for benefits			
Cash and cash equivalents	2 110 884	–	–
Investments			
Short-term investments	–	–	–
Equities	33 616 919	–	–
Fixed income	12 830 186	–	–
Real assets	2 764 409	–	–
Alternative and other investments	1 523 766	–	–
Contributions receivable	–	39 283	–
Accrued income from investments	–	155 645	–
Receivable from investments traded	–	16 319	–
Withholding tax receivables	–	8 782	–
Other assets	–	18 074	–
Total financial assets	**52 846 164**	**238 103**	**–**
Financial liabilities as indicated in the statement of net assets available for benefits			
Benefits payable	–	–	68 691
Payable from investments traded	–	–	44 710
After-service health insurance and other employee benefit liabilities	–	–	76 992
Other accruals and liabilities	–	–	26 962
Total financial liabilities	**–**	**–**	**217 355**

Investments exceeding 5 per cent of net assets

100. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2015 and 31 December 2014.

101. There were no investments representing 5 per cent or more of equities and fixed income as at 31 December 2015. The Fund held a total of $361.7 million in two real estate funds as at 31 December 2015, which represented 5 per cent or more of the real assets category. The Fund also held investments of $484.8 million in one hedge fund, and $300.5 million in three private equity funds, which represented 5 per cent or more of the alternative and other investments category.

102. There were no investments representing 5 per cent or more of equities and fixed income as at 31 December 2014. The Fund held a total of $328.4 million in two real estate funds as at 31 December 2014, which represented 5 per cent or more of the real assets category. The Fund also held investments of $519.9 million in one hedge fund and $104.6 million in one private equity fund, which represented 5 per cent or more of the alternative and other investments category.

Note 6
Fair value measurement

103. IPSAS establishes a three-level fair value hierarchy under which financial instruments are categorized based on the significance of inputs to the valuation technique. Level 1 includes those securities where unadjusted quoted prices are available in active markets for identical assets or liabilities. Level 2 includes those securities where inputs other than quoted prices included within level 1 are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 includes those securities where inputs for the asset or liability are not based on observable market data (that is, unobservable inputs). The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level of information that is significant to the fair value measurement. If a fair value measurement of an investment uses observable inputs that require significant adjustment based on unobservable inputs, that investment is classified as level 3.

104. Assessing the significance of a particular input to the fair value measurement of an investment in its entirety requires judgment, considering factors specific to the investment.

105. The following tables present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2015 and 31 December 2014:

(Thousands of United States dollars)

Hierarchy disclosure as at 31 December 2015				
	Level			
	1	*2*	*3*	*Total*
Short term investments	–	534 952	–	534 952
Equities				
Common and preferred stock	29 752 374	–	–	29 752 374
Funds — exchange traded funds	2 329 996	–	–	2 329 996
Real estate investment trusts	219 421	–	–	219 421
Funds — common stock	–	–	165 279	165 279
Stapled securities	34 274	–	–	34 274
Total equities	**32 336 065**	**–**	**165 279**	**32 501 344**
Fixed income				
Government and agencies securities	–	8 071 274	49 569	8 120 843
Corporate bonds	–	3 646 668	15 648	3 662 316
Municipal/provincial bonds	–	537 704	–	537 704
Commercial mortgage-backed	–	120 090	–	120 090
Funds – corporate bond	–	–	44 150	44 150
Total fixed income	**–**	**12 375 736**	**109 367**	**12 485 103**
Real assets				
Real estate funds	–	187 160	3 001 137	3 188 297
Infrastructure assets	–	–	110 882	110 882
Timberlands	–	–	15 940	15 940
Total real assets	**–**	**187 160**	**3 127 959**	**3 315 119**
Alternative and other investments				
Hedge funds	–	484 796	29 836	514 632
Private equity	–	–	1 249 337	1 249 337
Commodity funds	–	–	101 660	101 660
Total alternative and other investments	**–**	**484 796**	**1 380 833**	**1 865 629**
Total	**32 336 065**	**13 582 644**	**4 783 438**	**50 702 147**

(Thousands of United States dollars)

Hierarchy disclosure as at 31 December 2014	Level			
	1	*2*	*3*	*Total*
Short-term investments	–	–	–	–
Equities				
Common and preferred stock	30 429 734	7 477	–	30 437 211
Funds — exchange-traded funds	2 392 095	–	–	2 392 095
Real estate investment trusts	547 048	–	–	547 048
Funds — common stock	–	–	214 878	214 878
Unit trust equity	–	–	–	–
Stapled securities	25 687	–	–	25 687
Total equities	**33 394 564**	**7 477**	**214 878**	**33 616 919**
Fixed income				
Government and agencies securities	–	8 448 941	195 761	8 644 702
Corporate bonds	–	3 459 244	37 712	3 496 956
Municipal/provincial bonds	–	497 234	–	497 234
Commercial mortgage-backed	–	144 999	–	144 999
Funds — corporate bond	–	–	46 295	46 295
Guaranteed fixed income	–	–	–	–
Total fixed income	**–**	**12 550 418**	**279 768**	**12 830 186**
Real assets				
Real estate funds	–	156 305	2 512 320	2 668 625
Infrastructure assets	–	–	78 843	78 843
Timberlands	–	–	16 941	16 941
Total real assets	**–**	**156 305**	**2 608 104**	**2 764 409**
Alternatives and other investments				
Hedge funds	–	519 882	–	519 882
Private equity	–	–	864 947	864 947
Commodity funds	–	–	138 937	138 937
Total alternatives and other investments	**–**	**519 882**	**1 003 884**	**1 523 766**
Total	**33 394 564**	**13 234 082**	**4 106 634**	**50 735 280**

Equities

106. Common and preferred stocks, exchange-traded funds, real estate investment trusts and stapled securities were classified under level 1 if bid prices were available from institutional vendors. In 2014, there was an investment in one depository

receipt amounting to $7.5 million which was classified under level 2 as its value was based on bid evaluation.

107. Common stock funds and unit trust equity funds amounting to $165.3 million as at 31 December 2015 (31 December 2014: $214.9 million) were valued using a net asset value approach and hence classified under level 3.

Fixed income

108. The vast majority of the fixed income securities prices were not obtained from an active market directly, which would have led to a level 1 classification. Instead prices were obtained through bids from brokers, which were indicative quotes and therefore classified as level 2.

109. Index-linked non-United States government bonds amounting to $49.6 million as at 31 December 2015 (31 December 2014: $195.8 million) were classified as level 3, as their values were based on evaluations of brokers bids adjusted for indexing, which was generally uncorroborated market data.

110. Corporate bonds and corporate bond funds amounting to $59.8 million as at 31 December 2015 (31 December 2014: $84.0 million) were considered to be level 3. Inputs for the value of these investments, while available from third-party sources, were not well-defined, readily observable market data. Consequently, the Fund has decided to classify such investments as level 3.

Real assets and alternative and other investments

111. Real assets amounting to $3,128.0 million as at 31 December 2015 (31 December 2014: $2,608.1 million) as well as alternative and other investments amounting to $1,380.8 million as at 31 December 2015 (31 December 2014: $1,003.9 million) were classified under level 3, as they were priced using the net asset value methodology, for which the Fund was unable to corroborate or verify inputs using observable market data. In addition, limited options were available to the investors to redeem units, hence making the investments in such funds relatively illiquid.

112. Investment in a hedge fund, amounting to $484.8 million as at 31 December 2015 (31 December 2014: $519.9 million), and two real estate funds, amounting to $187.1 million (December 2014: $156.3 million), which were readily redeemable at net asset value without penalties was classified as level 2 assets and represented the net asset value as reported by the fund manager.

113. The following table presents the transfers between levels for the year ended 31 December 2015.

(Thousands of United States dollars)

Transfers between levels for the year ended 31 December 2015				
	Level			
	1	*2*	*3*	*Total*
Transfers into				
Fixed income	–	–	–	–
Real assets	–	–	–	
Equities	7 477	–	–	7 477
Total	**7 477**			7 477
Transfers out of				
Fixed income	–	–	–	–
Real assets	–	–	–	–
Equities	–	(7 477)	–	(7 477)
Total	**–**	**(7 477)**	**–**	**(7 477)**

114. The following table presents the transfers between levels for the year ended 31 December 2014.

(Thousands of United States dollars)

Transfers between levels for the year ended 31 December 2014				
	Level			
	1	*2*	*3*	*Total*
Transfers into				
Fixed income	–	70 181	–	70 181
Real assets	–	–	54 768	54 768
Alternative and other investments	–	–	–	–
Total	**–**	**70 181**	**54 768**	124 949
Transfers out of				
Fixed income	–	–	(70 181)	(70 181)
Real assets	(54 768)	–	–	(54 768)
Alternative and other investments	–	–	–	–
Total	**(54 768)**	**–**	**(70 181)**	**(124 949)**

115. For the year ended 31 December 2015, there was a transfer of one equity security amounting to $7.5 million out of level 2 and into level 1. The security is priced by multiple vendors and there is now observable data available quoted in an active market. As such, the Fund has decided to classify this investment as level 1.

116. For the year ended 31 December 2014, transfers out of level 3 into level 2 amounting to $70.2 million were attributable to continued improvement in the liquidity of the markets trading such investments and higher transaction volumes for the underlying securities. This led to securities being priced by multiple vendors and hence more observable data being available. Investment in one real asset fund amounting to $54.8 million was transferred from level 1 to level 3, as this investment was priced in 2014 using the net asset value methodology.

117. The following table presents the movements in level 3 instruments for the year ended 31 December 2015 by class of financial instrument:

(Thousands of United States dollars)

	Movements of level 3 instruments, 2015				
	Equities	*Fixed income*	*Real assets*	*Alternative and other investments*	***Total***
Opening balance	214 878	279 768	2 608 104	1 003 884	**4 106 634**
Purchases	3 099	30 581	730 071	486 159	**1 249 910**
Sales/return of capital	(16 000)	(174 565)	(505 203)	(142 818)	**(838 586)**
Transfers (out)/in of level 3	–	–	–	–	**–**
Net gains/(losses) recognized in the statement of changes in net assets available for benefits	(36 698)	(26 417)	294 987	33 608	**265 480**
Closing balance	**165 279**	**109 367**	**3 127 959**	**1 380 833**	**4 783 438**
Change in unrealized gains/(losses) for level 3 assets held at the period end and included in the statement of changes in net assets available for benefits	(32 412)	(63 552)	162 419	32 345	98 800

118. The following table presents the movements in level 3 instruments for the period ended 31 December 2014 by class of financial instrument:

(Thousands of United States dollars)

	Movements of level 3 instruments, 2014				
	Equities	*Fixed income*	*Real assets*	*Alternative and other investments*	***Total***
Opening balance	210 161	594 653	2 193 523	701 601	**3 699 938**
Purchases	68 398	18 597	571 656	389 874	**1 048 525**
Sales/return of capital	(20 000)	(236 740)	(471 444)	(105 856)	**(834 040)**
Transfers (out of)/into level 3	–	(70 181)	54 768	–	**(15 413)**
Net gains and losses recognized in the statement of changes in net assets available for benefits	(43 681)	(26 561)	259 601	18 265	**207 624**
Closing balance	**214 878**	**279 768**	**2 608 104**	**1 003 884**	**4 106 634**
Change in unrealized gains and losses for level 3 assets held at the period end and included in statements of changes in net assets available for benefits	(44 145)	(27 516)	185 427	46 509	160 275

Note 7
Accrued income from investments

119. Accrued income from investments is income earned during the year which has yet to be received as at the date of the statement of net assets available for benefits. Accrued income from temporary investments is mainly from interest earned on cash balances.

(Thousands of United States dollars)

	Accrued income from investments	
	31 December 2015	*31 December 2014*
Cash and cash equivalents	133	287
Short-term investments	3 768	–
Fixed income securities	98 114	112 617
Dividends receivable on equities	43 089	39 598
Real assets and alternative investments	2 732	3 143
Total accrued income from investments	**147 836**	**155 645**

Note 8
Withholding tax receivables

120. The outstanding balances of withholding income taxes as at 31 December 2015 and 31 December 2014 are shown in the following tables:

		Denominated in local currency					*Equivalent in*	*Tax amount deemed not recoverable*	*Recoverable withholding tax amount*
Country	*Currency*	*Prior to 2014*	*2014*	*2015*	*Total as at 31 December 2015*	*Foreign exchange rate*	*Thousands of United States dollars*		
Australia	Australian dollar	92 371	86 587	–	178 958	1.374476	130	–	130
Austria	Euro	–	24 827	–	24 827	0.920556	27	–	27
Brazil	Brazilian real	1 612 050	–	–	1 612 050	3.956250	407	(407)	–
Canada	United States dollar	–	–	–	–	1.000000	–	–	–
China	Hong Kong dollar	45 259 420	10 504 499	9 284 941	65 048 860	7.750150	8 393	(8 393)	–
Germany	Euro	–	–	5 935 812	5 935 812	0.920556	6 448	–	6 448
Greece	Euro	98 632	–	–	98 632	0.920556	107	–	107
Malaysia	Malaysian ringgit	–	–	–	–	4.293500	–	–	–
Netherlands	Euro	–	77 111	54 269	131 380	0.920556	143	–	143
Russian Federation	United States dollar	497 372	–	–	497 372	1.000000	497	–	497
Singapore	Singapore dollar	51 781	–	–	51 781	1.418650	37	–	37
Spain	Euro	–	–	243 407	243 407	0.920556	265	–	265
Sweden	Euro	26 819	–	–	26 819	0.920556	29	–	29
Switzerland	Swiss franc	–	–	2 094 030	2 094 030	1.001000	2 092	–	2 092
	Euro	–	–	–	–	0.920556	–	–	–
Turkey	Turkish lira	1 386 403	–	–	1 386 403	2.918850	475	(475)	–
United Kingdom	Pound sterling	–	–	109	109	0.678472	–	–	–
	Euro	298 085	914 706	1 391 575	2 604 366	0.920556	2 829	–	2 829
United States	United States dollar	–	–	–	–	1.000000	–	–	–
Withholding tax receivable net of provision							**21 879**	**(9 275)**	**12 604**

	Denominated in local currency						Equivalent in	Tax amount deemed not recoverable	Recoverable withholding tax amount
Country	*Currency*	*Prior to 2013*	*2013*	*2014*	*Total as at 31 December 2014*	*Foreign exchange rate*	*(Thousands of United States dollars)*		
Australia	Australian dollar	–	92 371	86 587	178 958	1.221971	146	–	146
Austria	Euro	–	6 575	24 827	31 402	0.826412	38	–	38
Brazil	Brazilian real	1 461 428	150 623	–	1 612 051	2.658200	606	(606)	–
Canada	United States dollar	–	13 963	–	13 963	1.000000	14	–	14
China	Hong Kong dollar	40 499 942	12 640 198	10 995 424	64 135 564	7.754850	8 270	(7 987)	283
Greece	Euro	98 632	–	–	98 632	0.826412	119	–	119
Malaysia	Malaysian ringgit	308 398	361 035	–	669 433	3.496500	192	–	192
Netherlands	Euro	–	126 773	143 288	270 061	0.826412	327	–	327
Russian Federation	United States dollar	44 584	–	87 770	132 354	1.000000	132	–	132
Singapore	Singapore dollar	51 781	–	–	51 781	1.325100	39	–	39
Spain	Euro	–	–	455 971	455 971	0.826412	552	–	552
Sweden	Euro	26 819	–	–	26 819	0.826412	32	–	32
Switzerland	Swiss franc	–	–	4 256 933	4 256 933	0.993650	4 284	–	4 284
	Euro	–	–	7 951	7 951	0.826412	10	–	10
Turkey	Turkish lira	1 386 403	–	–	1 386 403	2.337750	593	(593)	–
United Kingdom	Pound sterling	–	–	25 121	25 121	0.641334	39	39	–
	Euro	–	928 180	1 199 657	2 127 837	0.826412	2 575	–	2 575
United States	United States dollar	–	–	–	–	1.000000	–	–	–
Withholding tax receivable net of provision							**17 968**	**(9 186)**	**8 782**

Note 9
Other assets

121. The other assets included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Prepaid benefits and benefits receivable	15 167	14 865
Property, plant and equipment	4 223	3 004
Intangible assets in use	15 087	211
Intangible assets under development	115	13 357
United Nations receivables	5 226	2 862
Other receivables	511	347
Total	**40 329**	**34 646**

9.1 Prepaid benefits and benefits receivables

122. An overview of the prepayments and other accounts receivable held by the Fund is as follows:

	31 December 2015	*31 December 2014*
Prepaid benefits[a]	–	11 470
Prepayments	770	348
Benefits receivable[a]	18 652	6 323
Benefits receivable — provision	(4 255)	(3 276)
Total	**15 167**	**14 865**

[a] As part of IPAS implementation, the Pension Board decided to harmonize from September 2015 the disbursement of monthly benefits for all beneficiaries at the end of each month (in arrears), rather than the beginning of each month (in advance) for certain beneficiaries. In order to ensure that there was no gap in monthly cash flow for beneficiaries, a special one-time advance payment was made at the beginning of August 2015. The one-time advance payments are recoverable upon the demise of the beneficiaries. Consequent to this change, the amount of prepaid benefits as at 31 December 2015 is nil and the amount of benefits receivable includes $10.6 million recoverable upon the demise of the beneficiaries as at 31 December 2015.

9.2 Property, plant and equipment

123. An overview of the fixed assets held by the Fund is as follows:

(Thousands of United States dollars)

	Information technology equipment	*Leasehold improvements*		***Total***
		In use	*Under construction*	
Cost				
1 January 2015	4 785	10 880	–	**15 665**
Additions	–	–	2 170	**2 170**
Disposals/transfers	(3 452)	–	–	**(3 452)**
31 December 2015	1 333	10 880	2 170	**14 383**
Accumulated depreciation				
1 January 2015	4 256	8 405	–	**12 661**
Depreciation	282	669	–	**951**
Disposals/transfers	(3 452)	–	–	**(3 452)**
31 December 2015	1 086	9 074	–	**10 160**
Net book value, 31 December 2015	**247**	**1 806**	**2 170**	**4 223**

	Information technology equipment	*Leasehold improvements*	***Total***
Cost			
1 January 2014	4 778	10 880	**15 658**
Additions	360	–	**360**
Disposals/transfers	(353)	–	**(353)**
31 December 2014	4 785	10 880	**15 665**
Accumulated depreciation			
1 January 2014	4 114	7 735	**11 849**
Depreciation	495	670	**1 165**
Disposals/transfers	(353)	–	**(353)**
31 December 2014	4 256	8 405	**12 661**
Net book value, 31 December 2014	**529**	**2 475**	**3 004**

124. The leasehold improvements in use and additions to lease hold improvements under construction during the year included above relate to the Fund's improvements to its offices in New York.

9.3 Intangible assets

125. The intangible asset amount included in the statements of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	Intangible assets		
	In use	*Under construction*	***Total***
Cost			
1 January 2015	2 259	13 357	**15 616**
Additions	–	4 804	**4 804**
Transfers	18 046	(18 046)	–
Disposals	–	–	–
31 December 2015	20 305	115	**20 420**
Accumulated depreciation			
1 January 2015	2 049	–	**2 049**
Amortization	3 169	–	**3 169**
Disposals	–	–	–
31 December 2015	5 218	–	**5 218**
Net book value, 31 December 2015	**15 087**	**115**	**15 202**

(Thousands of United States dollars)

	Intangible assets		
	in use	*Under construction*	***Total***
Cost			
1 January 2014	2 891	9 623	**12 514**
Additions	52	3 897	**3 949**
Transfers	163	(163)	–
Disposals	(847)	–	**(847)**
31 December 2014	2 259	13 357	**15 616**
Accumulated amortization			
1 January 2014	2 003	–	**2 003**
Amortization	328	–	**328**
Disposals	(282)	–	**(282)**
31 December 2014	2 049	–	**2 049**
Net book value, 31 December 2014	**210**	**13 357**	**13 567**

126. The costs transferred from under construction to in use relate to the IPAS project. The disposal of $0.8 million is related to the Murex system, which was decommissioned in 2014.

Note 10
Benefits payable

127. The amount shown in the statement of net assets can be broken down as follows:

	31 December 2015	*31 December 2014*
Withdrawal settlements	35 896	11 144
Lump-sum payments	15 228	24 770
Periodic benefits payable	38 527	31 023
Other benefits payable	(57)	1 754
Total	**89 594**	**68 691**

Note 11
After-service health insurance and other employee benefits

128. A breakdown of the amount shown in the statement of net assets for after-service health insurance and other benefits payable is as follows:

	31 December 2015	*31 December 2014*
After-service health insurance actuarial liability	63 138	68 717
Repatriation grant and related costs	2 846	2 723
Education grant and related costs	268	271
Death benefit	148	106
Annual leave	3 723	4 938
Home leave	235	237
Total	**70 358**	**76 992**

After-service health insurance, annual leave, repatriation grants and death benefit liability

129. The Fund provides its employees who have met certain eligibility requirements with the following after-service and end-of-service benefits.

- Health-care benefits after they retire. This benefit is referred to as after-service health insurance
- Repatriation benefits to facilitate the relocation of expatriate staff members
- Annual leave benefits to provide staff members with periods of time off from work at full pay for personal reasons and for purposes of health, rest and recreation. Upon separation from service, staff members who have accrued unused annual leave will be paid for each day of unused leave up to a maximum of 60 days
- Death benefits payable in case of death in service to any dependants

130. The liabilities as at 31 December 2015 were calculated based on census data as at 30 September 2015, provided to the actuary by the United Nations; the liabilities as at 31 December 2014 are the result of the roll-forward to 31 December 2014 of the end-of-service benefit obligations as at 1 January 2014 for the Fund by the consulting actuary; and:

- Health insurance premium and contribution data provided by the United Nations
- Actual retiree claims experience under health insurance plans
- Estimated travel and shipment costs and annual leave balances reported by the United Nations in the census data
- Various economic, demographic and other actuarial assumptions
- Generally accepted actuarial methods and procedures

131. The key assumptions in the calculation of after-service liabilities are the discount rate and health-care trend rates. The discount rate is based on the spot rate, which reflects the market expectations at the time of the calculations to meet future expected benefit payments, based on high quality bonds. The discount rate is then the equivalent single rate that would produce the same liability as the full spot curve using the multiple bonds necessary to meet the future cash flow expectations.

132. For 31 December 2015, the single equivalent discount rates were selected and determined by the Fund as follows:

- 3.97 per cent for the after-service health insurance scheme
- 3.58 per cent for repatriation benefits
- 3.68 per cent for annual leave
- 3.36 per cent for death benefits

133. For 31 December 2014, the single equivalent discount rates were selected and determined by the Fund as follows:

- 3.50 per cent for the after-service health insurance scheme
- 3.42 per cent for repatriation benefits
- 3.45 per cent for annual leave
- 3.13 per cent for death benefits

134. For comparison purposes, the table below shows the percentage change based on a 1 per cent change in the discount rate.

	Impact on accrued liability			
Discount rate	*After-service health insurance*	*Repatriation benefit*	*Annual leave*	*Death benefit*
Increase of 1.0 per cent	18 per cent decrease	9 per cent decrease	8 per cent decrease	7 per cent decrease
Decrease of 1.0 per cent	24 per cent increase	10 per cent increase	10 per cent increase	7 per cent increase

135. In performing the roll-forward to 31 December 2014, only the financial assumptions such as the discount rates, inflation and health-care cost trend rates were reviewed as at 31 December 2014 and updated when necessary. All other assumptions remain the same as those used for the full valuation as at 31 December 2013.

136. A comparison of the health-care cost trend rates is as follows:

	31 December 2015	*31 December 2013*
Non-United States medical	4 per cent per year	5 per cent per year
United States medical — non-Medicare	6.4 per cent trending down to 4.5 per cent after 10 years	7.3 per cent trending down to 4.5 per cent after 10 years
United States medical — Medicare	5.9 per cent trending down to 4.5 per cent after 10 years	6.3 per cent trending down to 4.5 per cent after 10 years
United States dental	4.9 per cent trending down to 4.5 per cent after 10 years	5.0 per cent trending down to 4.5 per cent after 10 years

137. The decrease in the total after-service health insurance liabilities reported from 31 December 2014 to 31 December 2015 is primarily due to the impact of changing the actuarial assumptions, in particular the change in discount rates.

138. Other specific key assumptions used in the calculations are set out in the following paragraphs.

After-service health insurance

139. For 2015, 212 active staff were included in the calculation: 181 United States based and 31 non-United States based; 76 retired staff or their surviving spouses were included in the calculation: 64 United States based and 12 non-United States based. In addition, 18 active staff and two retirees or their surviving spouses that participate in dental-only plans were included. For active staff, the average age was 46 years with 10 years of service. The average age of retirees was 69 years.

140. For 2014, 208 active staff were included in the calculation: 177 United States based and 31 non-United States based; 70 retired staff or their surviving spouses were included in the calculation: 59 United States based and 11 non-United States based. In addition, two active staff and three retirees or their surviving spouses that participate in dental-only plans were included. For active staff, the average age was 45 years with 10 years of service. The average age of retirees was 68 years.

Repatriation benefits

141. Staff members who are appointed as international staff are eligible for the payment of a repatriation grant after one year of active service outside his or her country of nationality provided that the reason for separation is not summary dismissal or abandonment of post.

142. The amount ranges from 2 to 28 weeks of salary, depending on the category of employment and years of service of the eligible staff. Travel and shipment of personal effects may also be authorized to the recognized country of home leave.

143. For the year 2015, 65 eligible staff with an average annual salary of $84,336 were considered.

144. For the year 2014, 57 eligible staff with an average annual salary of $82,356 were considered.

Annual leave

145. Staff are entitled to accrue annual leave from the date of their appointment. Staff members who, upon separation from service, have accrued leave will be paid up to a maximum of 60 days if on a fixed-term appointment or up to 18 days on a temporary appointment. The payment amount is calculated at 1/261 of applicable salary amounts for each unused annual leave day.

146. For the year 2015, 241 active staff with an average annual salary of $101,712 were considered.

147. For the year 2014, 239 active staff with an average annual salary of $98,808 were considered.

Note 12
Other accruals and liabilities

148. The amounts shown as other accruals and liabilities in the financial statements can be broken down as follows:

	31 December 2015	*31 December 2014*
After-service health insurance payable to member organizations	–[a]	5 746
Restoration payable	2 876	2 584
United Nations payable	–	8 849
Operating leases rent accrual	2 593	2 925
Audit fee accrual	194	194
Accruals for management fees and expenses	6 235	5 071
Other	740	1 593
Total	**12 638**	**26 962**

[a] Balance rounded to the nearest thousand United States dollars.

Note 13
Investment (loss)/income

149. The following table summarizes the Fund's income from investments net of transaction costs, recognized during the period. Any transaction cost which can be allocated to a single transaction or trade is netted off against investment income. Examples are broker commissions, other transaction costs and management fees.

Any management expense charged to the income statement of a real asset or alternative fund was recorded separately as management expenses in the Fund's statement of changes in net assets and included under transaction costs.

150. In some jurisdictions, the Fund receives dividend income, interest income and real estate income without any withholding tax. This is primarily a result of the fact that pension funds are exempt from withholding taxes in many jurisdictions. However, a number of jurisdictions do not provide this benefit to all pension funds, but recognize that the United Nations Joint Staff Pension Fund is part of the United nations and hence exempt from national taxation of Member States on its direct investments in accordance with Article 105 of the Charter and with article II, section 7 (a) of the 1946 Convention on the Privileges and Immunities of the United Nations (see also note 3.3). The Fund is not able to reliably measure the value of the additional tax exemption obtained by being part of the United Nations and therefore does not disclose the value of this additional benefit on the face of the statement of changes in net assets available for benefits as non-exchange income in accordance with IPSAS 23, Revenue from non-exchange transactions.

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Change in fair value for assets designated at fair value		
Short-term investments	(7 181)	44
Equities	(255 864)	1 792 027
Fixed income	(205 016)	236 934
Real asset investments	399 784	360 048
Alternative investments	50 151	99 014
Total change in fair value for financial assets designated at fair value	**(18 126)**	**2 488 067**
Interest income		
Interest income on cash and cash equivalents	2 515	2 576
Interest income on fixed income instruments	353 038	372 517
Total interest income	**355 553**	**375 093**
Dividend income	777 863	845 069
Total dividend income	**777 863**	**845 069**
Income from real assets	38 302	30 642
Total income from real assets	**38 302**	**30 642**
Changes in foreign exchange gain and losses	(1 487 401)	(1 955 144)
Net foreign exchange (losses)	**(1 487 401)**	**(1 955 144)**
Transaction costs		
Management fees and other related fees	(98 820)	(90 558)

	31 December 2015	*31 December 2014*
Small capitalization fund management fees	(9 770)	(9 326)
Brokerage commissions	(11 410)	(17 674)
Other transaction costs	(4 454)	(7 346)
Total transaction costs	**(124 454)**	**(124 904)**
Net investment (loss)/income	**(458 263)**	**1 658 823**

151. The change in foreign exchange gains and losses includes $751.4 million (2014: $213.8 million) realized foreign exchange loss and $736.0 million (2014: $1,741.3 million) unrealized foreign exchange loss.

Note 14 Contributions

152. Contributions received in the period can be broken down as follows:

(Thousands of United States dollars)

	2015	*2014*
Contributions from participants		
Regular contributions	747 250	750 764
Contributions for validation	835	887
Contributions for restoration	3 054	4 940
	751 139	**756 591**
Contributions from member organizations		
Regular contributions	1 494 499	1 501 528
Contributions for validation	1 504	1 770
	1 496 003	**1 503 298**
Other contributions		
Contributions for participants transferred in under agreements	1 782	3 980
Receipts of excess actuarial value over regular contributions	207	43
Other contributions/adjustments	7 846	158
	9 835	**4 181**
Total	**2 256 977**	**2 264 070**

153. The contribution income varies based on changes in the number of participants, changes in the distribution of participants, changes in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission and the yearly step-increase to individual pensionable remuneration received by all participants.

Note 15
Other income

154. Other income earned during the period can be broken down as follows:

	2015	2014
Class action proceeds	4 351	1 197
Notional interest income	3 916	571
United Nations University management fees	50	50
Other claims	214	114
Total other income for the period	**8 531**	**1 932**

Note 16
Benefit payments

155. Benefit payments in the period can be broken down as follows:

(Thousands of United States dollars)

	2015	2014
Withdrawal settlements and full commutation of benefits		
For contributory services of five years or less	49 961	45 549
For contributory service of more than five years	88 990	75 464
	138 951	**121 013**
Retirement benefits		
Full retirement benefits	1 192 463	1 220 615
Early retirement benefits	622 854	667 300
Deferred retirement benefits	90 020	90 954
Disability benefits	63 290	63 300
Survivor benefits	228 027	232 082
Child benefits	25 765	26 296
	2 222 419	**2 300 547**
Other benefits/adjustments		
Payments for participants transferred out under agreements	141	977
Other benefits/adjustments	(380)	(652)
	(239)	**325**
Total benefit payments for the period	**2 361 131**	**2 421 885**

Note 17
Administrative expenses

156. Expenses incurred in 2015 and 2014 are as follows:

(Thousands of United States dollars)

	2015				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	13 219	9 901	–	–	23 120
Change in the value of the after-service health insurance liability	(4 166)	(1 305)	(108)	–	(5 579)
Other staff costs	1 988	480	–	–	2 468
Consultants	284	629	–	–	913
Travel	368	579	–	–	947
Training	52	27	–	–	79
Contractual services	8 684	15 810	–	–	24 494
Hospitality	–	2	–	–	2
General operating expenses	4 740	3 534	–	–	8 274
Supplies and materials	34	25	–	–	59
Furniture and equipment	578	204	–	–	782
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 006	–	1 006
Board expenses	–	–	–	104	104
Total	**25 781**	**29 886**	**898**	**104**	**56 669**

(Thousands of United States dollars)

	2014				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	17 601	10 074	–	–	27 675
Change in the value of the after-service health insurance liability	13 101	4 105	337	–	17 543
Other staff costs	2 071	718	–	–	2 789
Consultants	65	140	–	–	205
Travel	591	584	–	–	1 175
Training	78	68	–	–	146
Contractual services	6 367	18 023	–	–	24 390
Hospitality	1	20	–	–	21

	2014				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
General operating expenses	4 660	2 706	–	–	7 366
Supplies and materials	50	46	–	–	96
Furniture and equipment	605	83	–	–	688
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 102	–	1 102
Board expenses	–	–	–	125	125
Total	**45 190**	**36 567**	**1 439**	**125**	**83 321**

Note 18
Other expenses

157. Other expenses incurred during the period can be broken down as follows:

(Thousands of United States dollars)

	2015	*2014*
Emergency fund expense	35	39
Notional interest expense	2 175	3 279
Other expenses and claims	1 007	547
Total	**3 217**	**3 865**

Note 19
Actuarial situation of the Fund
(see also note 1.5)

158. The Fund provides retirement, death, disability and related benefits for staff of the United Nations and other organizations admitted to membership in the Fund. Accumulated (promised) plan benefits represent the total actuarial present value of those estimated future benefits that are attributable under the Fund's provisions to the service that staff have rendered as at the valuation date. Accumulated plan benefits include benefits to be paid to: (a) retired or terminated staff or their beneficiaries; (b) beneficiaries of staff who have died; and (c) present staff or their beneficiaries.

159. Benefits payable under all circumstances — retirement, death, disability and termination of employment — are included to the extent they are deemed attributable to service staff have rendered as at the valuation date.

160. The actuarial present value of accumulated (promised) plan benefits (which does not take into account future increases in pensionable remuneration) is determined by independent actuaries and the amount is derived by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

161. The Fund is applying the guidance included in IAS 26.28 (b) and discloses the actuarial present value of promised retirement benefits in the notes to its financial statements.

Key assumptions

162. The significant actuarial assumptions used in the valuation as at 31 December 2015 were:

- Life expectancy of participants (2007 United Nations mortality tables adjusted for forecast improvements in mortality)
- Age-specific retirement and turnover assumptions
- Annual investment return of 6.5 per cent, which serves as the discount rate for liabilities
- Annual rate of 3 per cent for cost-of-living increases in pensions

163. These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixty-second session, in July 2015. The foregoing actuarial assumptions are based on the presumption that the Fund will continue. Were the Fund to be terminated, different actuarial assumptions and other factors may be applicable in determining the actuarial present value of accumulated plan benefits. The actuarial present value of accumulated plan benefits as at 31 December 2015 shown in the present disclosure is rolled forward using standard actuarial techniques based on the 31 December 2013 valuation results and assumes that all economic and demographic assumptions will have been exactly met from 31 December 2013 onwards.

Statement of accumulated benefits

164. The actuarial present value of accumulated plan benefits as at 31 December 2015 is as follows (see note 1.11 for a description of the pension adjustment system):

(Millions of United States dollars)

	If future pension payments are made:	
	Under the regulations without pension adjustments	*Under the regulations with pension adjustments*
Actuarial value of vested benefits		
Participants currently receiving benefits	22 941.3	32 839.4
Vested terminated participants	238.8	411.6
Active participants	12 637.9	18 694.8
Total vested benefits	**35 818.0**	**51 945.8**
Non-vested benefits	1 279.2	1 589.5
Total actuarial present value of accumulated plan benefits	**37 097.2**	**53 535.3**

Information on participation in the Pension Fund

165. The last valuation was provided by the consulting actuaries as at 31 December 2013 based on participation as shown below.

	Value as at 31 December 2013
Active participants	
Number	120 294
Annual remuneration (in millions of United States dollars)	10 375
Average remuneration (in United States dollars)	86 245
Retired participants and beneficiaries	
Number	69 980
Annual benefit (in millions of United States dollars)	2 050
Average benefit (in United States dollars)	**29 292**

Note 20
Commitments and contingencies

20.1
Investment commitments

166. As at 31 December 2015 and 31 December 2014, the Fund was committed to the following:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Real estate funds	1 393 425	1 255 001
Private equity	1 683 823	1 701 742
Infrastructure funds	115 468	151 566
Timberland funds	60 020	60 108
Total	**3 252 736**	**3 168 417**

167. In the private equity, real estate, infrastructure and timberland investments, funds are drawn down in accordance with the terms and conditions of the fund agreements. The fund agreements are unique to each individual investment. However, funds are drawn down to: (a) fund investments in assets that have been purchased or are being contracted for purchase; and (b) pay fees earned by the general partner or manager under the terms and conditions of the fund agreement.

20.2
Lease commitments

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Obligations for property leases		
Under 1 year	6 738	5 557
1-5 years	23 339	20 400
Beyond 5 years	–	4 311
Total	**30 077**	**30 268**

20.3
Legal or contingent liabilities and contingent assets

168. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Pension Fund.

169. Contingent assets are excluded from the statement of net assets available for benefits on the basis that the inflow of economic benefits is not virtually certain but reliant on the occurrence of an event outside of the control of the Fund. As at 31 December 2015, a contingent asset existed in relation to a claim by the Fund for the reimbursement of certain transaction costs in France of $3.98 million. There were no contingent assets as at 31 December 2014.

Note 21
Risk assessment

170. The Fund's activities expose it to a variety of financial risks including, but not limited to, credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk).

171. The Fund's investment risk management programme seeks to measure and monitor the risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance, consistent with the Fund's strategic asset allocation policy. The Investments Committee provides advice to the Representative of the Secretary-General on investment strategy and reviews the investments of the Fund at its quarterly meetings. The Committee advises on long-term policy, asset allocation and strategy, diversification by type of investment, currency and economic sector and any other matters.

172. The Fund uses different methods to measure, monitor and manage the various types of financial risk to which it is exposed. These methods are explained below.

21.1 Credit risk

173. Credit risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms, resulting in a loss. The risk of a trading partner not fulfilling its obligations to another in a timely manner is a risk that all obligees face. Ensuring adequate control over credit risk and effective

risk management is critical to the long-term sustainability of the Fund. The Fund manages risk by addressing the following important areas:

- Approving and maintaining appropriate credit exposure measurement and monitoring standards
- Establishing limits for amounts and concentrations of credit risk, and monitoring and implementing a review process for credit exposure
- Ensuring adequate controls over credit risk

174. The Fund is primarily exposed to credit risk in its debt securities (total fixed income, and short-term bills and notes). The Fund's policy to manage this risk is to invest in debt securities that have an investment grade rating by at least one of the following well-known credit rating agencies: Standard & Poor's, Moody's and Fitch. For purposes of consistency in the present disclosure, the Fund used Moody's Investors Service, which provided ratings on most of the Fund's debt securities in 2015. As at 31 December 2015, 87 per cent (2014: 87 per cent) of the fixed income portfolio was rated between Aaa and A3 by Moody's.

175. The analysis below summarizes the credit quality of the Fund's fixed income portfolio as at 31 December 2015 and 31 December 2014, respectively, as provided by Moody's.

(Thousands of United States dollars)

	Aaa-A3	*Baa1-Baa3*	*Not rated*	*Total (as at 31 December 2015)*
Commercial mortgage-backed	67 079	–	48 419	115 498
Corporate bonds	2 883 044	704 106	75 166	3 662 316
Funds — corporate bond	–	–	44 150	44 150
Government agencies	2 321 741	–	6 460	2 328 201
Government bonds	4 948 713	271 814	342 073	5 562 600
Government mortgage-backed	–	–	74 874	74 874
Index-linked government bonds	155 168	–	–	155 168
Municipal/provincial bonds	494 231	–	43 473	537 704
Non-government-backed collateralized mortgage obligations	4 592	–	–	4 592
Total fixed income	**10 874 568**	**975 920**	**634 615**	**12 485 103**
Short-term bills and notes	–	–	534 952	534 952

(Thousands of United States dollars)

	Aaa-A3	*Baa1-Baa3*	*Not rated*	*Total (as at 31 December 2014)*
Commercial mortgage-backed	84 584	–	52 987	137 571
Corporate bonds	2 641 080	685 784	170 092	3 496 956
Funds — corporate bond	–	–	46 295	46 295
Government agencies	2 145 150	–	7 830	2 152 980
Government bonds	5 558 032	69 447	334 603	5 962 082
Government mortgage-backed	–	–	101 758	101 758
Index-linked government bonds	317 732	48 078	62 071	427 881
Municipal/provincial bonds	460 444	–	36 791	497 235
Non-government-backed collateralized mortgage obligations	7 428	–	–	7 428
Total fixed income	**11 214 450**	**803 309**	**812 427**	**12 830 186**
Short-term bills and notes	–	–	–	–

176. Of the unrated fixed income securities totalling $634.6 million as at 31 December 2015, $494.8 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities amounting to $139.8 million for which no issuer rating was available by Moody's, six debt securities, amounting to $95.7 million, were rated investment grade by at least one of the other two rating agencies (Standard & Poor's and Fitch), and another security, amounting to $44.1 million, was a bond fund and as such was not evaluated by a credit rating agency.

177. Of the unrated fixed income securities totalling $812.4 million as at 31 December 2014, $703.0 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities amounting to $109.4 million for which no issuer rating was available by Moody's, three debt securities, amounting to $63.1 million, were rated investment grade by at least one of the other two rating agencies (Standard & Poor's and Fitch), and another security, amounting to $46.3 million, was a bond fund and as such was not evaluated by a credit rating agency.

178. All transactions in listed securities are paid for upon delivery using approved brokers. Settlement risk is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

21.2 Liquidity risk

179. Liquidity risk is the risk of not meeting cash requirements for the Fund's obligations. Cash requirements can arise from settlement needs for various

investment trades, capital calls from uncalled or unfunded commitments, and benefit payment disbursements in various currencies. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

21.3 Market risk

180. Market risk is the risk of change in the value of plan assets due to various market factor movements such as interest rates, major market index movements, currency exchange rates and market volatility. The Fund has adopted value at risk as a parameter to measure market risk, in addition to standard deviation and tracking risk. Value at risk is a universally accepted parameter to communicate market risk for financial institutions and asset management institutions. The Fund also includes risk tolerance for investment risks in the investment policy approved by the Representative of the Secretary-General. Based on this risk tolerance, a risk budget has been assigned to each portfolio manager. The risk budget is modified once a year.

181. Value at risk (VaR), as a single number, summarizes the portfolio's exposure to market risk as well as the probability of an adverse move, or in other words, level of risk. The main purpose of value at risk is to assess market risks that result from changes in market prices. There are three key characteristics of value at risk: (a) the amount (in percentage or dollar terms); (b) the time horizon (in this case, one year); and (c) the confidence level (in this case, 95 per cent). When reported as 95 per cent confidence, the VaR 95 number (in percentage or in dollar terms) indicates that there is a 95 per cent chance that portfolio losses will not exceed the given VaR 95 number (in percentage or dollar terms) over a year. In addition, the Fund reports tail risk or expected shortfall, which measures the average expected loss for the 5 per cent of the time when the losses exceed VaR 95. The Fund also reports contribution to risk. Considering the risk of the whole Fund as 100 per cent, contribution to risk indicates how much of the risk is contributed by that asset class. Contribution to risk is additive (all contributions will add up to 100 per cent). VaR 95 is not additive owing to the diversification effect.

182. The table below depicts four important aspects of risk. It shows volatility or standard deviation in percentage, followed by VaR 95 for the given portfolio in percentage terms. Contribution to risk indicates how much each asset class contributes to the total Fund risk. Clearly, total Fund risk is 100 per cent and each of the asset classes below indicates the contribution to the risk. Expected shortfall at 5 per cent (because the Fund is indicating VaR at 95 per cent), indicates average value or expected value of losses for the 5 per cent of the times when losses exceed VaR 95.

183. All numbers in the chart below are annualized using historical simulation.

(Percentage)

	2015			
Asset class	*Volatility (standard deviation)*	*VaR (95 per cent)*	*Contribution to risk*	*Expected shortfall (5 per cent)*
Total fund	7.64	12.00	100.00	18.04
Total equity	10.51	17.30	87.03	24.86
Minimum volatility equity	9.97	16.13	1.43	23.72
Fixed income	3.56	6.04	0.73	8.77
Cash and short term	1.48	2.56	0.18	3.51
Real estate	14.30	22.42	6.81	31.31
Private equity	13.77	22.48	3.27	31.54
Commodities	11.94	20.91	0.10	28.64
Infrastructure	13.59	22.56	0.30	31.42
Risk parity	12.82	21.93	1.58	30.98

Note: Figures are reported from MSCI RiskMetrics as at 1 January 2016.

(Percentage)

	2014			
Asset class	*Volatility (standard deviation)*	*VaR (95 per cent)*	*Contribution to risk*	*Expected shortfall (5 per cent)*
Total fund	7.72	12.80	100.00	17.42
Total equity	10.34	17.37	84.19	23.42
Minimum volatility equity	8.74	15.03	1.46	18.92
Fixed income	3.34	5.42	3.68	7.66
Cash and short term	3.14	5.13	0.88	7.01
Real assets	13.25	20.30	5.22	27.71
Private equity	14.78	23.51	2.60	33.52
Commodities	11.22	18.59	0.17	26.21
Infrastructure	14.28	22.62	0.22	31.13
Risk parity	12.45	21.49	1.58	27.51

Note: Figures are reported from MSCI RiskMetrics as at 2 January 2015.

Price risk

184. The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments, for example, equity securities, are denominated in currencies other than the United States dollar, the price is initially expressed in the non-United States dollar denominated currency and is then converted into

United States dollars, which will also fluctuate because of changes in currency exchange rates.

185. At 31 December 2015 and 31 December 2014, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Common and preferred stock	29 752 374	30 437 211
Funds — exchange traded funds	2 329 996	2 392 095
Real estate investment trusts	219 421	547 048
Funds — common stock	165 279	214 878
Stapled securities	34 274	25 687
Total equity instruments	**32 501 344**	**33 616 919**

186. Considering the total Fund risk as 100 per cent, the contribution to risk due to price risk is 93.20 per cent (2014: 87.60 per cent). For the total price risk, equities contributed 87.7 per cent (2014: 88.74 per cent) to the total Fund price risk and the rest is contributed by all other asset classes.

187. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weights.

188. The Fund's equity investment portfolio by industrial sector in 2015 and 2014 was as follows:

(Percentage)

	As at 31 December 2015		*As at 31 December 2014*	
General industry classification standards	*Fund's equity portfolio*	*Benchmark*	*Fund's equity portfolio*	*Benchmark*
Financials	19.54	21.52	19.67	21.86
Information technology	14.99	14.87	14.38	13.85
Consumer discretionary	12.59	12.95	11.50	12.07
Energy	5.10	6.19	6.98	7.96
Health care	13.32	12.52	12.16	11.59
Industrials	8.56	10.30	9.65	10.49
Consumer staples	8.67	10.23	8.34	9.70
Materials	3.87	4.53	5.32	5.36
Telecommunication services	3.10	3.72	2.78	3.74
Utilities	2.47	3.17	2.71	3.38
Other	7.79	–	6.51	–
Total	**100.00**	**100.00**	**100.00**	**100.00**

189. The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (based on the counterparty's place of primary listing or, if not listed, place of domicile).

(Percentage)

	2015	*2014*
North America	57.1	57.4
Europe	20.7	19.9
Asia-Pacific	11.3	10.7
Emerging markets	8.4	9.7
International regions	2.5	2.3
Total	**100.0**	**100.0**

Currency risk

190. The Fund is one of the most globally diversified pension funds in the world and therefore holds both monetary and non-monetary assets denominated in currencies other than the United States dollar, the Fund's base currency. Currency exchange risk arises as the value of financial instruments denominated in other currencies fluctuates owing to changes in currency exchange rates. Management monitors the exposure to all currencies.

191. The Fund does not use hedging to manage its non-United States dollar denominated currency risk exposure, because the Fund expects currency impact to net out to zero over a full market cycle, as has been the case historically. Currency risk refers to risk due to foreign exchange rate changes.

192. The tables below illustrate the foreign exchange risk exposure of the Fund by class of investment. These summarize the Fund's cash and investments at fair value as at 31 December 2015 and 31 December 2014, respectively. Net financial assets amounting to $57.2 million in 2015 (2014: $20.7 million) not held at fair value (see note 5) are excluded from this table. Assets held in exchange-traded funds or externally managed specialty funds are included as United States dollar assets.

(Percentage)

	As at 31 December 2015						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternative and other investments*	*Short term*	*Cash*	*Total*
United States dollar	37.65	12.82	5.13	3.20	0.61	2.21	61.62
Euro	6.05	3.98	0.37	0.34	0.42	0.01	11.17
British pound sterling	3.96	1.24	0.18	–	–	0.35	5.73
Japanese yen	5.00	1.40	0.19	–	–	0.02	6.61
Canadian dollar	1.46	0.70	0.15	–	–	0.01	2.32
Australian dollar	1.24	0.75	0.18	–	–	0.01	2.18
Swiss franc	1.87	–	–	–	–	0.01	1.88
Hong Kong dollar	1.70	–	–	–	–	0.01	1.71
Republic of Korea won	0.76	0.42	–	–	–	0.00	1.18
Polish zloty	0.00	1.03	–	–	–	0.00	1.03
Swedish krona	0.64	0.23	–	–	–	0.00	0.87
Mexican peso	0.19	0.56	–	–	–	0.17	0.92
Malaysian ringgit	0.11	0.30	–	–	–	0.03	0.44
Norwegian krone	0.02	0.38	–	–	–	0.00	0.40
Indian rupee	0.48	–	–	–	–	0.00	0.48
Singapore dollar	0.25	0.07	–	–	–	0.00	0.32
Brazilian real	0.15	0.00	–	–	–	0.00	0.15
South African rand	0.26	–	–	–	–	0.00	0.26
Danish krone	0.37	–	–	–	–	–	0.37
Turkish lira	0.07	–	–	–	–	0.03	0.10
Philippine peso	0.15	–	–	–	–	–	0.15
New Zealand dollar	0.00	0.10	–	–	–	0.01	0.11
Hungarian forint	0.00	–	–	–	–	–	0.00
Pakistan rupee	–	–	–	–	–	0.00	0.00
CFA franc	–	–	–	–	–	0.00	0.00
Total	**62.38**	**23.98**	**6.20**	**3.54**	**1.03**	**2.87**	**100.00**

(Percentage)

	As at 31 December 2014						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternative and other investments*	*Short term*	*Cash*	*Total*
United States dollar	38.17	12.63	4.27	2.65	–	1.91	59.62
Euro	5.78	4.11	0.36	0.24	–	0.01	10.50
British pound sterling	4.06	1.24	0.14	–	–	0.63	6.07
Japanese yen	4.54	0.50	0.15	–	–	0.05	5.24
Canadian dollar	1.96	0.88	0.17	–	–	0.12	3.13
Australian dollar	1.42	0.89	0.13	–	–	0.10	2.54
Swiss franc	1.97	–	–	–	–	0.01	1.98
Hong Kong dollar	1.59	–	–	–	–	0.05	1.64
Republic of Korea won	0.84	0.54	–	–	–	0.01	1.39
Polish zloty	0.03	1.15	–	–	–	0.08	1.26
Swedish krona	0.54	0.27	–	–	–	0.36	1.17
Mexican peso	0.22	0.66	–	–	–	0.15	1.03
Malaysian ringgit	0.19	0.46	–	–	–	0.13	0.78
Norwegian krone	0.02	0.61	–	–	–	0.04	0.67
Indian rupee	0.57	–	–	–	–	0.07	0.64
Singapore dollar	0.32	0.07	–	–	–	0.18	0.57
Brazilian real	0.41	0.12	–	–	–	0.03	0.56
South African rand	0.38	–	–	–	–	0.02	0.40
Danish krone	0.29	–	–	–	–	–	0.29
Turkish lira	0.13	–	–	–	–	0.04	0.17
Philippine peso	0.16	–	–	–	–	0.00	0.16
New Zealand dollar	0.01	0.12	–	–	–	0.02	0.15
Colombian peso	0.04	–	–	–	–	–	0.04
Hungarian forint	–	–	–	–	–	–	0.00
Total	**63.64**	**24.25**	**5.22**	**2.89**	**–**	**4.01**	**100.00**

Interest rate risk

193. Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds fixed interest rate securities, floating rate debt, cash and cash equivalents that expose the Fund to interest rate risk.

194. The table below summarizes the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the Barclays Global Aggregate Index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

(Percentage)

	2015		2014	
	Fund	*Benchmark*	*Fund*	*Benchmark*
Effective duration	3.65	6.60	3.69	6.50

195. Effective duration is the sensitivity to interest rates. This means if the interest rate goes up by 1 per cent, the Fund could lose 3.65 per cent compared with the benchmark, which could lose 6.60 per cent. This primarily arises from the increase/decrease in the fair value of fixed interest securities, with a small proportion arising from the decrease/increase in interest income on cash and cash equivalents.

Note 22
Budget information

22.1 Movement between original and final budgets

(Thousands of United States dollars)

	Initial appropriation 2015	*2014 budget balance carried forward*	*Approved increases/ decreases*	*Final appropriation 2015*
Administrative costs	42 324	(1 319)	2 768	43 773
Investment costs	42 472	2 828	(3 815)	41 485
Audit costs	1 280	24	(54)	1 250
Board expenses	205	62	–	267
Total	**86 281**	**1 595**	**(1 101)**	**86 775**

196. An explanation of the changes between the initial appropriation and the final appropriation for the biennium 2014-2015 can be found in paragraphs 4-40 of the report on the administrative expenses of the Pension Fund contained in document A/70/325. In its resolution 70/248 A (sect. VI, para. 22), the General Assembly approved the final appropriation for the administrative expenses of the Fund for the biennium 2014-2015.

22.2 Reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits

197. Differences between the actual amounts on a comparable basis with the budget and the actual amounts recognized in the financial statements can be classified as follows:

(a) Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis, as stated in note 3.14;

(b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for the Pension Fund for the purposes of comparison of budget and actual amounts;

(c) Entity differences, which occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. There are no entity differences for the Pension Fund.

	2015	*2014*
Actual amount on a comparable basis	**55 846**	**78 242**
Basis differences		
Asset additions/disposals	(6 974)	(3 744)
Depreciation, amortization and impairment	4 120	1 491
Unliquidated obligations	11 594	(14 020)
Prepayments	(407)	(63)
Employee benefits	(6 674)	20 668
Other accruals	(836)	747
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**56 669**	**83 321**

198. The above reconciliation illustrates key differences between total administrative expenditure on a budget basis (modified cash basis) and total expenditure on an IPSAS basis. The main differences can be categorized as follows:

- *Depreciation expense*. Fixed assets and intangible assets meeting the threshold for capitalization are capitalized and depreciated over their useful lives on an IPSAS basis. Only depreciation expense is recognized over the useful lives of the asset whereas the total expense is recognized on a budget basis at the time of acquisition.

- *Expense recognition*. On a budget basis expenditure is recognized at the time of disbursement or commitment as unliquidated obligations. Under IPSAS, expenses are recognized at the time goods or services have been received. Unliquidated obligations for goods or services not received or prepayments are not recognized as expense. Economic services received but not paid for are recognized as expense under IPSAS.

- *Employee benefits*. On a budget basis, employee benefit expenses are recognized when the benefit is paid. Under IPSAS, an expense for an employee benefit should be recognized in the period in which the benefit is earned, regardless of the time of payment. IPSAS therefore recognizes expenses for post-employment benefits such as after-service health insurance, annual leave and repatriation benefits.

Note 23
Funds under management

199. Funds under management are defined as other United Nations funds for which the Fund has engaged the services of external fund managers, independent of the Fund.

200. Pursuant to General Assembly resolution 2951 establishing the United Nations University and Assembly resolution 3081 and article IX of the charter of the University (A/9149/Add.2), the Investment Management Division provides oversight services for the investments of the United Nations University Endowment Fund that are currently outsourced to Nikko Asset Management with a separate custodian bank. Formal arrangements between the Investment Management Division and the Endowment Fund regarding these services have not been agreed upon. Resulting funds are reflected in the accounts of the United Nations University. There is no commingling of investment funds with those of the United Nations Joint Staff Pension Fund, which are maintained separately. The costs of Investment Management Division management advisory fees amounting to $50,000 per year are reimbursed by the Endowment Fund to the Division and recorded as other income.

Note 24
Related party transactions

Key management personnel

201. Details of the remuneration to key management personnel by the Fund for the years ended 31 December 2015 and 31 December 2014 are as follows:

	Number of individuals	*Compensation and post adjustment*	*Entitlements*	*Pension and health plans*	*Total remuneration*	*Outstanding advances against entitlements*	*Outstanding loans*
		(Thousands of United States dollars)					
2015	5	848	67	192	1 107	–	–
2014	5	836	83	189	1 108	–	–

202. Key management personnel are the Chief Executive Officer, the Representative of the Secretary-General, the Deputy Chief Executive Officer, the Director of the Investment Management Division and the Chief Financial Officer as they have the authority and responsibility for planning, directing and controlling the activities of the Pension Fund.

203. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, costs of shipment of personal effect and employer pension and current health insurance contributions.

204. There were no outstanding advances against entitlements of key management personnel as at 31 December 2015.

205. Key management personnel are also qualified for post-employment benefits (see note 11) at the same level as other employees. The actuarial valuation of the benefits for the key management personnel are as follows:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
After-service health insurance	1 095	1 507
Repatriation grant	78	111
Annual leave	105	202
Death benefit	2	3
Total	**1 280**	**1 823**

Other related parties

206. While no transactions occurred with the parties listed below, they are considered as related parties and a summary of the Fund's relationship with these parties is therefore provided.

General Assembly

207. The General Assembly is the highest legislative body for the Pension Fund. It reviews reports submitted by the Pension Board, approves the budget of the Fund, decides on admittance of new member organizations to the Fund and amends the Regulations of the Fund.

Twenty-three member organizations participating in the Fund

208. The member organizations of the Fund (which are international intergovernmental organizations) join the Fund by decision of the General Assembly and at the time of admission agree to adhere to the Regulations of the Fund. Each member organization has a staff pension committee and a secretary to the committee; the committees and their secretariat are an integral part of the Fund's administration.

United Nations International Computing Centre

209. The United Nations International Computing Centre was established in Geneva in 1971 as an inter-organizational facility, providing a wide range of information technology and communication services, on a cost recovery basis, to its users worldwide. The Centre is governed by a Management Committee representing the organizations to which the Centre provides services.

210. The role of the International Computing Centre is as follows:

- To provide information technology services on a full cost-recovery basis
- To assist in exploiting networking and computing technology
- To provide information management services
- To advise on questions related to information management
- To provide specialized training

Note 25
Subsequent events

211. At the time of issuance of the financial statements, the management of the Fund is not aware of any reportable event after the reporting date in accordance with IPSAS 14.

Annex to the notes to the financial statements

Statistics on the operations of the United Nations Joint Staff Pension Fund

Table 1
Number of participants

Member organization	*Participants as at 31 December 2014*	*New entrants*	*Transfers In*	*Transfers Out*	*Separations*	*Participants as at 31 December 2015*	*Percentage increase/(decrease)*
United Nations[a]	84 475	7 635	370	403	5 197	86 880	2.8
International Labour Organization	3 693	375	29	26	311	3 760	1.8
Food and Agriculture Organization of the United Nations	9 558	897	155	152	396	10 062	5.3
United Nations Educational, Scientific and Cultural Organization	2 376	200	23	23	131	2 445	2.9
World Health Organization	10 091	1 029	128	134	578	10 536	4.4
International Civil Aviation Organization	769	69	2	4	49	787	2.3
World Meteorological Organization	327	43	5	8	17	350	7.0
International Atomic Energy Agency	2 517	233	33	20	97	2 666	5.9
International Maritime Organization	290	13	2	2	19	284	(2.1)
International Telecommunication Union	781	40	3	3	42	779	(0.3)
World Intellectual Property Organization	1 246	47	13	11	62	1 233	(1.0)
International Fund for Agricultural Development	560	50	14	15	31	578	3.2
International Centre for the Study of the Preservation and Restoration of Cultural Property	32	3	–	–	2	33	3.1
European and Mediterranean Plant Protection Organization	15	4	–	2	–	17	13.3
International Centre for Genetic Engineering and Biotechnology	177	4	–	–	10	171	(3.4)
United Nations World Tourism Organization	98	2	–	–	3	97	(1.0)
International Tribunal for the Law of the Sea	36	3	1	–	2	38	5.6
International Seabed Authority	30	5	1	1	2	33	10.0
United Nations Industrial Development Organization	713	30	4	8	42	697	(2.2)
International Criminal Court	958	57	55	26	40	1 004	4.8
Inter-Parliamentary Union	45	2	–	–	1	46	2.2
International Organization for Migration	3 536	598	23	18	215	3 924	11.0
Special Tribunal for Lebanon	436	57	15	20	16	472	8.3
Total	**122 759**	**11 396**	**876**	**876**	**7 263**	**126 892**	**3.4**

[a] United Nations Headquarters, regional offices and all funds and programmes.

Table 2

Benefits awarded to participants or their beneficiaries during the year ended 31 December 2015

	Number of benefits awarded											
				Withdrawal settlement								
Member organization	*Retirement benefit*	*Early retirement benefit*	*Deferred retirement benefit*	*Under 5 years*	*Over 5 years*	*Child benefit*	*Widow and widower benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependent benefit*	*Transfer under agreement*	*Total*
United Nations[a]	772	322	112	2 056	1 462	775	66	20	43	1	1	5 630
International Labour Organization	58	25	5	179	34	35	4	–	2	–	1	343
Food and Agriculture Organization of the United Nations	96	47	8	159	73	71	5	1	4	1	–	465
United Nations Educational, Scientific and Cultural Organization	50	17	10	39	10	24	5	–	1	–	–	156
World Health Organization	148	47	40	254	77	144	8	3	5	–	–	726
International Civil Aviation Organization	8	5	3	25	3	10	1	–	3	–	–	58
World Meteorological Organization	10	–	–	6	–	–	–	–	–	–	1	17
International Atomic Energy Agency	41	14	4	27	8	16	4	–	1	–	–	115
International Maritime Organization	12	2	–	1	1	2	1	–	2	–	–	21
International Telecommunication Union	16	7	–	10	5	14	1	–	3	–	–	56
World Intellectual Property Organization	20	8	3	19	8	14	1	–	2	–	–	75
International Fund for Agricultural Development	9	2	2	8	1	8	1	–	–	–	–	31
International Centre for the Study of the Preservation and Restoration of Cultural Property	2	–	–	–	–	1	–	–	–	–	–	3
International Centre for Genetic Engineering and Biotechnology	5	1	1	1	1	–	–	1	–	–	–	10
United Nations World Tourism Organization	2	–	–	–	1	2	–	–	–	–	–	5
International Tribunal for the Law of the Sea	–	–	1	1	–	–	–	–	–	–	–	2
International Seabed Authority	–	–	–	–	2	–	–	–	–	–	–	2
United Nations Industrial Development Organization	14	9	1	6	1	1	1	–	4	–	–	37
International Criminal Court	3	–	4	19	10	8	1	–	–	–	–	45

Member organization	Number of benefits awarded: Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement: Under 5 years	Withdrawal settlement: Over 5 years	Child benefit	Widow and widower benefit	Other death benefit	Disability benefit	Secondary dependent benefit	Transfer under agreement	Total
Inter-Parliamentary Union	–	–	1	–	–	–	–	–	–	–	–	1
International Organization for Migration	14	3	2	141	58	4	1	–	–	–	–	223
Special Tribunal for Lebanon	–	–	–	13	3	–	–	–	–	–	–	16
Total	**1 280**	**509**	**197**	**2 964**	**1 758**	**1 129**	**100**	**25**	**70**	**2**	**3**	**8 037**

[a] United Nations Headquarters, regional offices and all funds and programmes.

Table 3
Analysis of periodic benefits for the year ended 31 December 2015

Type of benefit	*Total as at 31 December 2014*	*New*	*Benefits discontinued, resulting in award of survivor's benefit*	*All other benefits discontinued*	*Pre-IPAS discontinued benefits recognized at IPAS conversion*[a]	*Total as at 31 December 2015*
Retirement	26 217	1 279	(207)	(406)	(608)	26 275
Early retirement	15 746	509	(130)	(211)	(389)	15 525
Deferred retirement	7 673	198	(30)	(108)	(197)	7 536
Widow	11 233	80	354	(314)	(510)	10 843
Widower	923	20	25	(29)	(38)	901
Disability	1 410	70	(12)	(25)	(34)	1 409
Child	9 124	1 129	–	(1 258)	(48)	8 947
Secondary dependent	41	2	–	(3)	(2)	38
Total	**72 367**	**3 287**	**–**	**(2 354)**	**(1 826)**	**71 474**

[a] The numbers for the column represent pre-IPAS discontinued benefits that were not finalized in the Fund's legacy system. These discontinued benefits were recognized upon the IPAS conversion in 201 under the new approach of identifying such cases immediately at discontinuation of the benefits. Without the effect of these adjustments, the total number of periodic benefits increased by 1.3 per cent for the year ended 31 December 2015.

Abbreviation: IPAS, Integrated Pension Administration System.

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